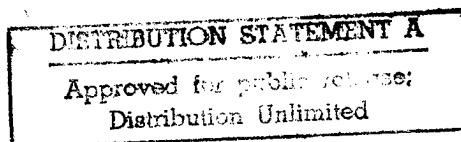
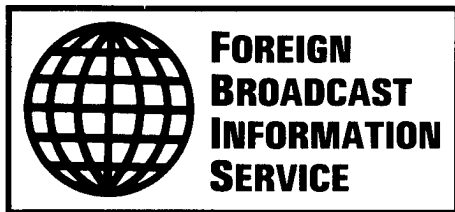


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CONTENTS

17 MARCH 1988

POLITICAL

GREECE

Reported U.S. View of National Situation [Dim. G. Kousoulas; <i>POLITIKA THEMATA</i> , 22-28 Jan 88]	1
Progovernment Paper Bemoans Country's Condition [Thanasis Andonopoulos; <i>TA NEA</i> , 11 Jan 88]	3
Leftist Parties Seen Aiding, Abetting PASOK [Y. Trianti; <i>I KATHIMERINI</i> , 17-18 Jan 88]	4
KKE Succession: Possible Candidates Seen out of Favor [Giannis Loverdou; <i>ENA</i> , 7 Jan 88] ...	5
KKE's Farakos Reportedly De Facto Leader [AVRIANI, 10 Jan 88]	6
Satisfaction and Disapproval Greet Talks With Turkey	6
Agreement Applauded [I <i>KATHIMERINI</i> , 4 Feb 88]	6
Papandreou Seen Surrendering [Agam. Farakos; <i>I VRADYNI</i> , 2 Feb 88]	7

NORWAY

Former Chairman Views Reasons for Christian Party's Defeats	7
Conservatives' Approach to Progressives Causes Concern	8
Conservative Voters Favor Cooperation	8
Conservatives' New Chairman Comments	9
Christian Party Reacts	10

SPAIN

Ministers' Popularity Ranked, Voting Intentions Polled	10
Presumed CESID Activities in Recent Phone-Tapping Incident	16

MILITARY

GREECE

Spanish Agreement on U.S. Bases Seen Keenly Followed	18
Papandreou Details Percentage of Domestic Weapons Production [<i>ELEVTHEROTYPIA</i> , 16 Jan 88]	19
Past Weapons Production Reported; Future in Question [MESIMVRINI, 18 Jan 88]	19
Military Retirement, Promotion System Scored [Spyros Karatzaferis; <i>ELEVTHEROTYPIA</i> , 16 Jan 88]	20

NORWAY

Defense Chief Urges South Not Be Neglected in Military Plans	21
NATO 'Fire Brigade' To Participate in Fewer Northern Exercises	22

SPAIN

Chief of Staff Interviewed on Armed Forces Reform	23
---	----

SWEDEN

Armed Forces Chief, Party Heads, Soviet Leader on Incursions	24
Forces Chief Admits Disappointment	24
Newspaper: Carlsson Toughens Tone	26
New ASW Weapon Unveiled	27
Report Points to Soviets	28
Party Leaders Give Reactions	28
Army Commander Comments	29
Additional Comments From Carlsson	30
VPK Spokesman Backs Toughness	31
Forces Chief Denies Disagreement With Government Over Submarines	32
Regards Purposes of Intruders	32
Paper Comments on Remarks	33
Defense Credibility Seen Damaged	34
Liberals: Improve ASW Submarine	34
Military Personnel Ordered To Report Espionage Acts	34
Armed Forces Chief Lauds Women's Performance in Services	35

ECONOMIC

EUROPEAN AFFAIRS

EC's De Clercq on Relations With CEMA	36
---	----

DENMARK/GREENLAND

Greenland Government's Funds Shortage Stirs Rancor	38
Home Rule Government Criticized [<i>Jorn Mikkelsen; BERLINGSKE TIDENDE, 3 Jan 88</i>] ..	38
Overly Ambitious Investment Program [<i>Jorn Mikkelsen; BERLINGSKE TIDENDE, 3 Jan 88</i>]	41

FEDERAL REPUBLIC OF GERMANY

Institute Studies Feasibility of Raising VAT To Finance EC	41
Siemens To Spend DM6.5 Billion on R&D in 1987/88	43

FRANCE

1988 Industrial Outlook Examined by Sectors	44
---	----

NETHERLANDS

Natural Gas Exports, Revenue, Contribution to Budget	47
--	----

SPAIN

Angola, Mozambique Receive Lion's Share of Foreign Aid	49
--	----

GREECE

Reported U.S. View of National Situation

35210067c Athens POLITIKA THEMATA in Greek
22-28 Jan 88 pp 15-16

[Article by Professor Dim. G. Kousoulas:] "How Do the Americans See Us?"

[Text] Washington—When an American diplomat speaks off the record and without attribution, the conversation takes an entirely different tone and content—provided, of course, the diplomat is willing to talk.

I had such a talk with an old friend with extensive familiarity of Greek politics. In the following paragraphs the reader will have the opportunity to see "from the inside" how we are viewed by those who make foreign policy in Washington. I will try to give, as specifically and comprehensively as possible, the "thoughts" expressed by my diplomat friend—without the veil of diplomatic discretion which often obscures the truth.

How Do the Americans See Andreas Papandreou?

We often hear the phrase, "Andreas is a man of the Americans." "How much truth is in this," I asked. "It's the wrong question," he replied. "Washington tries to cooperate as best it can with those who govern a country at a given moment. This applies to Greece as well. There was a time when we were told that [dictator] Papadopoulos was our man!"

Then he told me how the proper authorities in Washington see Papandreou. "Papandreou is interested above all in staying in power, to enjoy as long as possible the perks that go with the premiership. Power intoxicates him. This means he is flexible and subject to persuasion. He is not guided by ideological commitments or convictions. He maneuvers according to the actual conditions each time, having as his guiding objective his stay in power. "For us this is an advantage because we know he is always ready to work on any compromise, accept any terms, push a policy which is at odds with the policies he espoused previously, provided we are willing to help him overcome any difficulties he is facing at a given time. What he wants above all is for his party to win another 4-year term.

"Thus, on the question of the bases, we are not disturbed by his various maneuvers. We know he needs to cover his flanks against possible reactions from the Left."

Nationalism and Pro-Soviet Moves

"To promote his policy, which aims at retention of the bases, Papandreou has chosen nationalism—on one side—which corresponds to the patriotic feelings of the Greeks, and the spectacular but empty of real meaning contacts with the Soviet camp—which are designed to 'satisfy' the Left.

"The crisis with Turkey last March and the rather ridiculous 'clash' with Washington over Ambassador Keeley's demarche concerning terrorism and the Greek demand for a 'apology' were actions designed to flame up Greek nationalism and solidify Papandreou's image as 'a proud and independent leader' who is not afraid to take on a superpower!"

"On the other hand, the lightning trips to Sofia, the Gorbachev letters, his 'peace' initiatives and the like, have the transparent objective of deceiving the leftist. Of course, the Soviets are not unwilling to cooperate because, at least from a propaganda point of view, the Papandreou moves serve their own purposes.

"Papandreou knows—as well as we do—that the Soviet leadership has no intention of undermining the Yalta regime and accept Greece in the Soviet camp or even to go merely over acceptable limits. Such a change in Europe's strategic equation is even less likely now that Gorbachev is trying to promote a better climate in his relations with the United States so that he can implement his perestroika and improve the Soviet economy."

The Plebiscite Is Welcome

"Papandreou's proposal to submit a new agreement on the bases to a plebiscite is perfectly acceptable to us. Since Papandreou will have negotiated and accepted the new agreement, it will be absurd for him to call on his followers to vote against it. But it will also be unlikely to leave to chance a possible rejection which will amount to a vote against himself. So, we believe in one way or another, a large segment of PASOK followers will vote in favor of the agreement.

"We further believe a large majority of the New Democracy followers will also vote for retention of the bases. As a result, for the first time, an agreement for the retention of the bases will have the direct, formal, and irrefutable approval of the great majority of the Greek people!

"Since our primary concern is to maintain our political ties with Greece and our presence in this geographical area, the terms we intend to propose will not be hard to accept. The opposite is true. For example, the Ellinikon base will be removed."

"We Are Annoyed by the Left's Propaganda"

"Of course, we are concerned—and annoyed—with the leftist propaganda constantly broadcast by the state radio and television. But we understand that this is the price Papandreou has to pay to keep KKE quiet. 'Social peace' is in the hands of the trade unions which are largely controlled by KKE. For the time being, the communist leadership has no reason to create a situation which could lead to Papandreou's fall and the possible return of the Right to power, not because they are afraid

that a policy of repression may be resumed but because the party will lose the opportunity to easily spread its leftist positions and propaganda through the state mass media."

Remaining in the Leadership

"On his side [KKE secretary general] Florakis and other KKE top leaders are interested in their own stay in the party leadership and enjoyment of the advantages, comforts, public exposure, and the prestige associated with it. Even if we were to assume that the lower cadres and the rank and file are motivated by ideology, the leadership is guided by more practical motivations.

"Thus, we believe this explains why Papandreou was able to reverse his economic policies in October 1985 and in effect abandon the socialist prescription without serious opposition by KKE or the trade unions.

"For the Left in general, Papandreou's stay in power means channels will remain open for spreading the leftist propaganda among Greeks. For the moment, this is enough for them. In any event, for the time being they cannot hope for more."

They Will Not Be Deceived

"Naturally, this open dissemination of communist propaganda worries us up to a point, but we are inclined to believe the Greeks are freedom loving by nature and will not be deceived by KKE propaganda. Of course, there are people in Washington who are not too sure of this, but at least for the time being we see no indications that the leftist influence in Greece is on the rise. The opposite appears to take place."

[Socialism] Did Not Deliver

"Socialism has not been successful in Greece. Did it succeed anywhere? It failed dismally to the point that in the end the PASOK socialist government was forced to adopt an economic policy which seems to be a copy of the principles of free economy. If this policy did not produce results, especially in the sector of private investment, it is mainly because Greek and foreign investors do not seem to trust Papandreou's intentions and reliability."

"It Is a Pity"

"It is a pity the New Democracy party has been unable to exploit the ideological and practical failure of socialism. But, it appears the ND leadership does not attach the necessary importance to ideology and propaganda.

"And since we are speaking of ND, it is not a secret that Washington would have more confidence in a government which has the same basic beliefs and political orientation. But so far ND has been unable to inspire the

popular enthusiasm it needs to win the next election, or to effectively utilize the economic problems or conflicting views Papandreou often advocates.

"Mitsotakis either does not want or does not have the imagination and inventiveness to counter Papandreou's maneuvers. Certain cynics suspect that Mitsotakis is content with his role as leader of the opposition which—while assuring him comforts, public acclaim and the prestige his position entails—does not expose him to the burden of problems associated with governing.

"However, the same circles realize that Mitsotakis has a serious motive in hoping his party will succeed in the next election. If he loses, his stay in the party leadership will be doubtful.

"In any event, we can say that the Americans would prefer a premier who believes in the same principles—even though they have no problem working with a premier without principles!"

The Message Did Not Get Through

"On the other hand, the Americans know a ND government will face serious difficulties, especially from the trade unions which are influenced by the Left. ND has not succeeded so far in passing to the broad popular state the message that the 'line' in the trade union sector—'minimum effort, maximum rewards'—is deceptive and harmful for everyone because it leads to reduction of national income.

"It did not pass the message that only serious and systematic work leads to a real increase in individual income, but also to the real increase in social benefits, the decline of inflation, and the rise in the standard of living.

"Moreover, now that even Gorbachev in the metropolis of socialism demands more work from the workers, KKE and its offshoots should be facing somewhat greater difficulty in continuing their trade union propaganda. But apparently the Greek workers have no knowledge of the changes Gorbachev is trying to promote. For this, the ND leadership is partly responsible because it neglected to utilize and take advantage of this point."

Everyone, Always?

"In sum, Papandreou has been able to : a) satisfy the Americans with the prospect of assuring the stay of the bases; b) satisfy the Soviet Union with his peace initiatives and his 'misbehaving' within NATO; c) satisfy KKE by allowing the spread of leftist propaganda through the state mass media; d) satisfy employers with his economic policies; and e) satisfy most Greeks with his nationalist gestures (no matter how theatrical they may appeal to those who know the facts). President Lincoln once said that a politician 'may fool some people

all the time, all the people some of the time, but he cannot fool everyone all the time.' Papandreou seems to be the first to be near achieving the last feat!"

In the Hands of the Greek People

"Therefore, Washington will continue to work together with the current government until the Greek people decide to entrust the governing of their country to other people. In spite of the myth which many in Greece seem to believe, Washington cannot—even if it wanted to—impose on Greece this or that government. Washington cannot stuff the ballot boxes nor can it impose on Greek voters to support this or that candidate. In the last analysis, the course Greece will take in the coming years is only in the hands of the Greek people."

07520/06662

Progovernment Paper Bemoans Country's Condition

35210064b Athens TA NEA in Greek 11 Jan 88 p 4

[Article by Thanasis Andonopoulos]

[Text] Five years separate us from the year of great difficulties, namely 1992, and the slow and listless rhythm of the East continues, without any disturbance, on all levels of economic and social life. The country has relished the bliss of the present moment and somewhere secretly it nourishes the hope that at "the hour of crisis" "Greek craftiness" will once again prevail.

Those responsible (government, parties, economic bodies) know it, the people simply have a presentiment of it: the "1992 purgatory" does not mean a redistribution of Greek wretchedness but the sidelining of the unfit.

The philosophy of "give us this day, God will see to tomorrow" is used endlessly by the country's leadership in its endeavor to perpetuate bliss and to convert it into transitory political profit. It does not "stir up the waters" but leaves things go along at their own pace.

Any of Prime Minister Andreas Papandreou's warnings express the fears of the economist and not the government's determination to strictly oversee the implementation of plans adjusting the Greek economy to the requirements of the Unified European Market.

The private sector of the economy, saturated with a mentality of a "second-hand merchant," at 5 minutes to 12, still has not understood the need for substructuring, for planning, and the introduction of new technology in production.

The public sector of the economy is being crushed by its astronomical deficits and when used as an instrument of social policy is incapable of offering proof of its capabilities as a productive investment sector.

The labor movement of the country, cut to pieces, strongly partisan and very little politicized, exhausts its strength in securing its "daily bread" and, without any clear prospects, it accepts the logic of the poet of "Fates:" "Our evil fate is to blame, the God who hates us is to blame..."

The major government opposition party, New Democracy, that aspires once again to govern, emphasizes its presence with the search for machinations to corral voters, in the style of offering "tax-free automobiles."

The remaining political spectrum of the country, circumstantially confronts the problem and does not suggest any complete "alternative solution."

The "ostrich phase" the country is going through would be a sort of folklore event if it did not mortgage the future of the Greek people!

"Five strokes" now remain until the end of 1992. The new growing season has not yet begun to flower in the Greek countryside. Yesterday's tactics ("one stremma to the hammer, one Datsun in the yard") finds its reflection in the channelling of social subsidies for the readjustment of crop structures—or at least the greater part—for the purchase of an apartment in the city.

ECUs [European Currency Units] are presently flowing in. It makes very little difference if they are being used for the purpose intended! One thing predominates: not to have the present picture of artificial prosperity in the countryside "blackened" while the "patriotism of the Greek people" sees to the mechanization of agricultural production.

The precedent of the handling of the famous "Marshall Plan" is also being repeated in the case of social subsidies for the readjustment of agricultural crop structures.

The "national sense of honor"—some say that "we remain the bearers of a great name"—prevents us from benefiting from the experience of the neighboring Italians or other EEC partners and from "studying" the way they followed in seeking and developing social resources.

It is characteristic that the Italians, with "national unanimity" and on the initiative of the communist Euro-deputy Altiero Spinelli, exploited the infinitesimal opportunity for the luring of social resources that they allocated, in a planned manner, to bridge the gulf between the industrially developed North and the economically and socially underdeveloped South.

These things are occurring, of course in Italy, while in Greece, according to the evaluation of the Greek committeeman, Grigoris Varfis, the MOP [as published] of Crete are endangered because of the absurdity of local bureaucratic red tape to put in a telephone call to the planning secretariat in Irakleion or Khania.

There is a view that the speeding up of the "honesty shock" before the "abnormal landing" in 1992 entails "a huge political cost" that neither the government nor the government opposition is inclined to assume unless and if a "bipartisan agreement" on this serious issue is achieved—something that is doubtful.

05671/09599

Leftist Parties Seen Aiding, Abetting PASOK

35210061 Athens 1 KATHIMERINI in Greek
17-18 Jan 88 p 5

[Article by Y. Trianti: "Simple... Logical Self-Reliance. A Leftist Alibi Being Offered to PASOK"]

[Text] According to Greek Mythology the "prime examples of the condemned in Hades were: Sisyphus, who attempts endlessly to push uphill a huge stone which constantly rolls back down; Oknos who uses a bulrush to make a rope which is then constantly eaten away by a donkey; and the Danaides who try in vain to fill a punctured earthen cask with water using a sieve filled with holes."

This myth corresponds completely with the practice of the three traditional political parties of the Left vis-a-vis PASOK in our contemporary political reality. Is it not "their fate" to lose the game at the critical moment. And as matters now stand, they will proceed into the coming elections with their chains in excellent shape. That applies principally to the KKE and the EAR, since the KKE-internal—The Renewed Left—having a marginal role, of course—appears to have clarified the issue of its relations with PASOK by keeping its distance.

The tragic contradiction which characterizes the policy of the KKE and the EAR vis-a-vis PASOK lies in the fact that, although they believe that the governing party has definitely marched away from the Leftist road, they are directing their policy towards cooperation on the governing level. By so doing they give PASOK the strongest alibi for projecting its (PASOK's) Leftist credentials with all that that entails for the electoral strength of the traditional Left, but also for its overall presence on the political scene.

At first glance, the view that the KKE and the EAR have nothing more in mind than cooperation with PASOK would appear to be rather arbitrary. The official texts and the daily positions taken by their staff (on party matters, right turns, the same quality of self-reliance on the part of the two protagonists) indeed give the impression that the relations of the two parties with PASOK are very clear; and that their goal is certainly not any kind of governmental cooperation with the governing party as long as it continues "unpersuaded: along its frenetic Rightist course.

In substance, however, the impression they leave is deceptive: the spearpoint of their policy—their demand for a simple proportional (electoral system) and the accompanying removal of PASOK's self-reliance becomes a "boomerang" against the KKE and the EAR. The result is to bring about that which PASOK has eagerly been seeking: its (PASOK's) legitimization in the wider Leftist political field. And here is why:

When the non-party elements of the traditional Left denounce the prime minister and the governing party for "referring to Greek calendars for dialogue, the possibility of coalition governments, and the demand for a simple proportional (electoral system)" (as recently announced by EAR), they bypass with characteristic ease one basic question: Is the inability to cooperate with PASOK due to the electoral system or to the policy of the governing party which does not permit such cooperation? If in the end Mr Papandreou were to "grant" a simple proportional (electoral system) (because he cannot do anything else), do all the accusations about turning to the Right, autarchism, and other related matters disappear like magic for the traditional Left? Or does the choice of a simple proportional (electoral system)—if in the end PASOK is compelled to choose it—mean a self-understanding and "sobering up" of the governing party? Does it mean a re-baptism in Siloam's baptismal fount?

Beyond the issue of a simple proportional (electoral system) the fact that the traditional Left poses the possibility of cooperation with PASOK—its support—on condition that PASOK abandon its turn to the Right, reveals that basically the KKE and the EAR recognize the ability of the governing party to return to the Leftist fold.

If the demand for a simple proportional (electoral system) had been accompanied by a categorical rejection of any kind of cooperation with PASOK—especially governmental cooperation—then no one could accuse the two parties of the traditional Left of having adopted a contradictory stance. However, the way in which the issue of a simple proportional (electoral system) is being posed, along with a series of "consequent" movements (with regard to the overall impression of PASOK)—i.e. G.S.E.E.—indicate the inability of the two parties to clarify once and for all their view of PASOK. To follow a course in such a contradictory manner—giving PASOK the ability to survive—is more painful than admitting that their role is one of simply making correctional adjustments—from the Left—to PASOK's policy... and above all, it is certainly more painful for this to be certified on a daily basis in action....

13041/12232

KKE Succession: Possible Candidates Seen out of Favor

35210067b Athens ENA in Greek 7 Jan 88 pp 12-13

[Article by Giannis Loverdou: "Florakis Delays Choice of His Successor"]

[Text] The last plenum of the KKE Central Committee, which met in middle December, convened in secret without even the press detecting it was about to meet. They learned about it only after RIZOSPASTIS published the announcement on 19 December. This fact, however, familiar in the way KKE operates, could not conceal—in fact, it pointed out instead—the bitter fight being waged over the succession of Secretary General Kh. Florakis in the leadership of the party.

The succession struggle now constitutes the key element in developments within the party, especially after the 12th Congress last May. At the Congress, which adopted the positions of chairman and associate secretary general to facilitate the smooth withdrawal of Florakis, the ambitions of the two major contenders became clear.

They are Gr. Farakos, second in the party hierarchy and "innovator" and Mimis Androulakis, who until then appeared to have Florakis' unreserved support. Thanks to this support, Androulakis, only 36, has been able to reach several leadership positions, while at the same time projecting the image of a young, dynamic and renovating element. With Florakis' support many expected he would be able to compete for the leadership on equal terms.

The fact that things are not always as they appear applies particularly to the activities of the Communist Party. The delay in replacing Florakis is due primarily to the rift between Florakis and Androulakis, his erstwhile protege. Even though this rift is not widely known, informed sources insist it is fierce and particularly decisive for the party's further development.

Changes

There is no longer any doubt that Florakis wants to be replaced because he feels his stay is no longer meaningful, since he himself realizes he is tired and cannot keep up with the great changes taking place daily in society. Especially after the 12th Congress he has become very reserved because he believes that those who appear as potential successors—Farakos and Androulakis and Politbureau member Dim. Gondikas—threaten to radically change the structure and character of KKE as developed by Florakis.

He believes that KKE, as he developed it since the fall of the dictatorship, has become a serious party, acceptable to a large section of the public, having become incorporated into the democratic system and overcoming the hatreds of the past without betraying the principles on which it was founded. No doubt he has also gained the

image of a respectable politician, even though he has not been able or did not try to turn KKE into a party with more than 10 percent of popular support.

But Florakis feels his successors will change all he accomplished in the past 15 years. He never had any doubts about Gr. Farakos, the RIZOSPASTIS editor, who has not changed his views beyond the 1930's and it is certain that if he were elevated to the leadership he would take the party back to its arteriosclerotic form which time and the Soviet "perestroika" has rendered obsolete. Farakos supports the "traditional" model of party management without change and without adjustment to the current reality.

But Florakis faces with suspicion Mimis Androulakis as well because he believes his excessive ambition and opportunism may lead him to dangerous moves—temporary alliances with questionable benefits—which will hurt the party's overall image and cohesion. Moreover, Florakis believes both Androulakis and Farakos will proceed with extensive replacement of persons he has selected for key positions.

Contacts With the New Democracy

Florakis is especially critical of Androulakis for his contacts and exchange of information he had with Mitsotakis' son-in-law, Pavlos Bakogiannis. It is claimed that thanks to those contacts, the ND leadership learned about the Florakis meeting with PASOK cadres regarding the electoral law. Using this information, ND Chairman K. Mitsotakis moved to the smart maneuver to ask for immediate elections even with the simple proportional, thus forcing KKE to insist on the simple proportional and not talk about any other electoral system.

The Florakis-Androulakis rift has deprived the general secretary of the person who, in his opinion, was capable of succeeding him and continuing his policies. For this reason, although he has expressed his intention to move on to the honorary position of party chairman, he has no intention of transferring the party leadership to any of the three aspirants.

As a result, Florakis, who continues to control the Central Committee, the Politbureau, and the party structure as a whole, delays the succession process until he can select and promote the person he wants. No doubt the process will be long and difficult, but the secretary general is hopeful he will succeed, even though uncertainty about the succession does not allow KKE more effective participation in the country's political affairs. In any event, many believe the succession fight is only "the top of the iceberg." KKE's inability to play a more significant role in the country's political life is due primarily to its inability to renew itself in keeping with social developments. The unquestionable need for renewal is now the only hope for the "innovator" Mimis Androulakis to move to the leadership of the party, now that he has lost his protector.

07520/06662

KKE's Farakos Reportedly De Facto Leader

35210064a Athens AVRIANI in Greek 10 Jan 88 pp 1, 8

[Text] Florakis, who now symbolically bears the title secretary general, has lost the battle that has been raging over the last few years inside the KKE among groups vying to get the upper hand.

The strong man in Perissos is now Farakos, head of the hard-line group (that is also called "Stalinist").

All authority has passed into Farakos' hands who—it should be pointed out—also occupies the most important position, namely secretary of the Communist Party Central Committee. According to well-informed sources, it is only a matter of days before Farakos will be named "alternate secretary general."

Mimis Androulakos, who sold Florakis out as soon as he saw that the scales were shifting the other way, has joined up with the Farakos group—body and soul. Androulakos was until recently being promoted as the leader of the "renovationists."

Farakos' assumption of the KKE leadership automatically means a hardening of its policy vis-a-vis PASOK with which Farakos will lead things to an open rift and to a break in every form of dialogue, since the philosophy of the group he represents is that only with the government's fall will the KKE increase its strength, believing that it will garner PASOK's leftist voters.

Of course, what comes next, that is, how the country and people will be effected by the upsetting of the present government and opening the way for the Right is something that does not appear to concern Farakos. The only thing he is interested in is how to increase the KKE's percentage, and just let its followers do what they want in engaging in new adventures and ordeals.

The refusal of any kind of dialogue with and approach to the trade union movement is also attributed to this thinking.

From now on, Farakos' policy will be causing a break with the government party on every front and a confrontation on all levels.

Kyrkos (EAR [Greek Left]) and Banios have been excluded from the famous coalescence.

With regard to the former, Perissos believes that in the elections some kind of formula for his cooperation with PASOK will be found.

Farakos reckons to set up the coalescence with PASOK-type personalities such as Arsenis, the Peloponnisian, Intze, etc.

On the basis of all the above, violent clashes between the KKE and the government can be expected to occur, either in the Chamber of Deputies or during demonstrations over income policy, etc.

Of course, Farakos may want it. The question is whether the KKE grass roots wants it.

Because, if one were to judge from the reaction noted in Perissos from the time when Florakis lost the initiative in developments and in the formulation of policy, reaction that stems from the oppositions to the erroneous—as it is described at present—hard tactics by Farakos and his options up until now that have created turmoil, it appears rather that things will not be so rosy for the new KKE boss.

05671/09599

Satisfaction and Disapproval Greet Talks With Turkey

Agreement Applauded

35210067a Athens I KATHIMERINI in Greek 4 Feb 88 p 4

[Excerpts] Once the Greek-Turkish friendship was sincere and spontaneous. I lived through one of its earliest chapters from close range. I saw Ankara and Constantinople full of Greek flags; I heard the enthusiastic crowds shouting "long live our brothers!"

As it often happens in history, people seek peace and the end to hostilities in the years immediately following a war when the horror and carnage are fresh in their memory. Hatreds have broken out, the people have seen death and now they only seek tranquility and life.

We have to go back many years to relive those long-gone days—half a century back, 55 years to be exact, to September 1933. Heading the official delegation was Premier Panagis Tsaldaris with members of his cabinet, advisors, diplomats, the entire Athenian press corps. Our delegation proceeded with its official task beautifully; it agreed with the Turks with good will and understanding. And on 14 September the final, new agreement was signed. If you read the I KATHIMERINI of those days you read about such enthusiasm—it is doubtful that a similar excitement has been displayed since.

It was the right moment, the right decision, the right ending of a great, tragic adventure. The hospitality, the hatred which had gone should never have been revived.

It was never our fault. Others are to blame, others who found in Cyprus a new victim and pushed us into a new outbreak of hostility and into new—now justifiable—hatreds.

It will be difficult to recover again the old warm Greek-Turkish friendship of the early years after the end of the war. But another new friendship built on common sense and tolerance deserves our support and help—even though Andreas [Papandreou] presents this friendship belatedly to us now that he suddenly threw the sword aside, took off his armor, alighted from his white horse and stopped playing the warrior.

Papandreou Seen Surrendering

35210067a Athens 1 VRADYNI in Greek 2 Feb 88 p 4

[Article by Agam. Farakos: "We Will Pay Dearly for the Davos Agreement"]

[Excerpt] March 1987 may prove to be in the end the "magic wand" which will help solve the Greek-Turkish dispute, bring peace to the Aegean, take the Turkish troops out of Cyprus, and suddenly baptize Turkey into a European country geographically and politically suitable to join the European Economic Community.

Theoretically at least, March appears to be the month which led the two countries to the brink of war and a terrible catastrophe (although many insist the crisis was a uniquely staged "play" in order to prepare the ground for the Davos weekend); put some sense into Athens and Ankara; blunted the swords and convinced Papandreou and Ozal that war is a difficult game for two medium-sized or small countries; imbued with diplomatic and political wisdom the hotheads on both sides; and finally led to embraces in Davos.

However, behind the handshakes at the Belvedere [Hotel] and the Forum Hall, where the two premiers read their joint statement, there was a comprehensive, deliberate, and resolute change. The Greeks in effect gave up the effort to seek solutions to two crucial problems—the Cypriots and delineation of the Aegean. Greece gave in to Turkish or other pressures—which are not yet clear, although some bitter truths are becoming visible—and sacrificed the search for satisfaction of its claims in the name of some expediencies and unconfessed pressures. This is a harsh accusation but at Davos the victory of common sense was secured with the execution of Greek rights.

In this talk with Greek newsmen, Papandreou again insisted that the crisis in March 1987 was real and not a matter of theater "as many have accused us!" But a leading journalist from the Soviet Bloc presented a sarcastic revelation concerning the so-called "crisis of March." He said: "Everything was agreed to take place in May, but then the Turks raised objections that such a crisis in May would seriously hurt Turkish (but also Greek) tourism. So the crisis was organized for March...."

Regardless of the accuracy of this unbelievable charge, nothing changes regarding the complete Greek surrender in Davos. Papandreou may go on claiming a triumph

and advertising the consolidation of Greek-Turkish peace (anyway, no one disagrees with the end of a continuous crisis which oppresses Greece economically—and also Turkey—and with its repeated flare ups causes a climate of insecurity and discourages every important investment, especially in our country), but the truth is very unpleasant in many ways:

—The Cypriot problem will not come up for discussion this year or in the next few years, nor will the desired international conference take place.

—The proposal to take the question of the continental shelf to the International Court of Justice was again rejected by Ozal and the only hope for an international recognition of Greek rights is now put on the shelf. Delineation of this problem is now being abandoned—the Greek position that this is a "legal question" is not accepted by the Turks who insist that delineation is a political, diplomatic, and strategic question, with all the unpleasant and unacceptable consequences this view entails for Greece.

If one wants to properly assess what happened the past 3 days in Davos, he cannot avoid noting that Papandreou handled, personally and alone, the entire spectrum of Greek-Turkish relations, without even consulting his closest associates, not even Foreign Minister Papoulias.

Thus, the entirely confidential, private talks between Papandreou and Ozal were conducted without anyone else being present (they both speak English) and this must have been the touchstone which decided the outcome of Greek-Turkish negotiations in Davos.

Turkish troops remain on Cyprus, the Aegean remains a disputed area between Greece and Turkey, but Greek and Turkish businessmen embrace each other (no objection to that, of course), a Greek-Turkish Chamber of Commerce is being planned, while the national claims, ignored and side-tracked, no longer have the right to disrupt the admittedly natural desire for economic cooperation and joint efforts for profitable endeavors. For many more years the snows will melt in Davos, but the unconditional surrender committed in effect by the Greek side this past weekend will never be forgotten!

07520/06662

NORWAY

Former Chairman Views Reasons for Christian Party's Defeats

36390037a Oslo AFTENPOSTEN in Norwegian
15 Jan 88 p 3

[Article by Kurt-Johnny Olsen: "'Christian People's Party Leadership Can Run Party Into Ditch'"]

[Text] If the negative growth in support for the Christian People's Party is not turned into positive, the present leadership will go down in history as the one that ran the party into the ditch.

The confusion and ambiguity concerning the coalition commitment and position must be eliminated.

The political line that the finance policymakers prepared for the Storting [Parliament] group is a disaster for the party.

Kjell Magne Bondevik is capable, but he too cannot stand alone as a symbol for the entire party.

These were some of the strong salvos the former chairman of the Christian People's Party, Odelsting [lower house of Norwegian legislature] President Kare Kristiansen, came with in an internal strategy meeting of the party's Storting group on Wednesday, a good week ago. Kare Kristiansen was invited to begin the debate concerning the strategy the party should follow with a view toward the election next fall.

Poor Support

According to what AFTENPOSTEN has learned, Kare Kristiansen by way of introduction dwelled a little on the poor support for the Christian People's Party, and thought that if the election outcome in the fall of 1989 ends at today's level it will mean a catastrophe for the Christian People's Party. The Storting group will be halved and there will be no representatives from East Norway and Norway north of the Dovre Mountains. Confusion and ambiguity concerning the coalition commitment and political stand have led to disunity and uncertainty among the voters. As a result of this, Kristiansen feared that contribution revenues from members and firms will fall away.

According to what AFTENPOSTEN has reason to believe, Kare Kristiansen in his opening speech charged the party's leadership with giving cryptic answers and circumventing the problems when they answer on the party's behalf.

One-Sided

The party's leadership has never before been constituted so one-sidedly as right now, Kristiansen reportedly said. And it is the "left" that has been given less than its share in the most important positions. Kjell Magne Bondevik, Harald Synnes, Solveig Sollie, Jon Lilletun, Svein Konstall, Kristin Aase and Torunn Laupsa do not represent a cross section that reflects the party's electorate, according to Kristiansen.

Kare Kristiansen, who was chairman of the Christian People's Party for a total of six years, characterized the present chairman as very capable, but he can also not stand alone as a symbol for the entire party.

The ex-party-chairman in addition cautioned against concentrating too much effort on establishing a new middle-of-the-road alternative with the Christian People's Party, the Center Party and Liberal Party, and he

urged increased concentration on one's own party, platform and policies. In addition, Kristiansen thought that the Christian People's Party has little to gain by identifying with the Center Party, and he based this on the fact that the Christian People's Party differs with the Center Party in a number of important issues.

Economy

The big gap that arose between the economic platform the Conservative Party, Christian People's Party and Center Party worked toward until the spring of 1987 and the support Harald Synnes gave the Labor Party government in the finance and balance payment debates last fall was also touched on by Kare Kristiansen.

Kristiansen characterized as a disaster for the party the policy that was drawn up in this area. It was not tailored to the economic situation. Kare Kristiansen characterized as incorrect claims that it was exclusively the Labor Party that defeated the middle-of-the-road parties' proposal. This also did not reassure the voters, who were and are concerned about the support that the Christian People's Party, for one, is giving the present government.

According to what AFTENPOSTEN has learned, the ex-party-chairman in conclusion cautioned strongly against changing the coalition picture before the general election next fall. If the party renounces a broad non-socialist coalition with the Conservative Party and Center Party, Kristiansen fears that thousands of voters will either desert the Christian People's Party or quite simply stay home.

According to what was reported to AFTENPOSTEN, Kristiansen's speech gave rise to a frank and lively, but not bitter, debate.

8831

Conservatives' Approach to Progressives Causes Concern

Conservative Voters Favor Cooperation
36390037b Oslo AFTENPOSTEN in Norwegian
16 Jan 88 p 44

[Article by Kjell Hanssen: "Conservative Voters for Progressive Party Coalition"]

[Text] Two out of three Conservative Party voters are open to the Conservative Party entering a government coalition with the Progressive Party. Four out of five Labor Party voters are against this. Among the voters as a whole, one finds a third that approves the idea, while half are opposed.

This is from a poll that the Norwegian Gallup Institute conducted for Norpress.

As the question was worded, it did not directly concern the Conservative Party and Progressive Party forming a government together, but a "government coalition in one form or another." This will in part include a coalition that includes several parties, and in part an agreement that involves Progressive Party support for a government in which the Conservative Party takes part.

Still last year's breakdown in government negotiations between the Conservative Party, Christian People's Party and Center Party obviously raised its questions among the Conservative Party's voters and created greater sympathy for other solutions. When the idea of further cooperation between the middle-of-the-road parties (especially the Center Party) seems useless, interest in working together with those who want to increases.

After the local elections last year the Conservative Party and Progressive Party also have majorities in several major municipalities and they must find common solutions. Then a coalition on the national plane will seem less alien.

Norwegian Gallup did not measure the degree of enthusiasm or aversion, but just asked whether "some form of government coalition" is acceptable or unacceptable. Among Conservative Party voters, 59 percent answered positively and 31 percent negatively, while 10 percent did not take a position. Among all those asked (1030 people), 33 percent are for a coalition and 48 percent are against, while 19 percent do not know. The opposition is strong on the part of the Labor Party: 62 percent against versus 14 percent for. Here it is a whole 24 percent that has no opinion.

Conservatives' New Chairman Comments

36390037b Oslo AFTENPOSTEN in Norwegian
22 Jan 88 p 3

[Article by Geir Salvesen: "Syse: Nothing Dramatic in Progressive Party Coalition"]

[Text] The Conservative Party and Progressive Party in Drammen have now entered into a written coalition pact for the current four-year period. "Nothing dramatic in this," says acceding Conservative Party Chairman Jan P. Syse. "Now the way will be eased for a broad coalition with the Conservative Party on the local level," Progressive Party Chairman Carl I. Hagen says to AFTENPOSTEN. He also feels delight over the statement from the new Oslo City Council, where the policy is to be turned toward the right.

The news got out the day before the Conservative Party starts its national congress, and when relations with the Progressive Party will be debated. And it is a quite comprehensive coalition pact the two local parties in Drammen arrived at. It involves, among other things, some joint group meetings, common whips that are to make sure things do not fall apart, and consultations on several levels. In addition there are privatization of a

number of municipal services, the more liberal putting into practice of many regulations and rules, changed closing rules, more appropriations for grants, and other things.

"It is quite simply a strategy that makes it possible to conduct a non-socialist policy in Drammen," Bjorn Rossfjord says to AFTENPOSTEN. He is a Conservative city council member and one of the architects behind the coalition pact. According to Rossfjord, the Progressive Party made such a great advance that it was not possible to avoid establishing certain principles for a future coalition.

Not Dramatic

The Conservative Party's acceding chairman, Jan P. Syse, said in a commentary yesterday that there is nothing dramatic in this agreement:

"Last fall the Conservative Party's leadership stated clearly that it was not relevant to centrally control the coalition models in municipalities and counties. I take note of it when it has been found appropriate in Drammen to enter into a pact with the Progressive Party that in content ensures the implementation of the Conservative Party's policies. The pact in Drammen is far less sensational than the pact between the Labor Party and Progressive Party in Askim, for example," Syse claims.

"Now the way will be eased for cooperation on the local level in major cities, and we will have far more orderly relations. For then it will be impossible for the Conservative Party to adhere to a different position on the national level. The Conservative Party is now a party that is no longer controlled from the top. The final real decisions are effected from below," Carl I. Hagen claims to AFTENPOSTEN.

[Question] Do you mean by this that there is a rift in the Conservative Party between local parties and the party on the central level?

[Answer] "On the local level there is far more sympathy for the possibilities that a coalition with the Progressive Party gives."

Changed Landscape

Oslo City Council Chairman Hans Svelland said in an interview with NRK [Norwegian Broadcasting System] radio yesterday that the voters have changed the political landscape and that he as a local politician cannot help basing his policy on this. Hagen says to AFTENPOSTEN that he is very satisfied with the city council statement from Svelland. This time the Progressive Party was also consulted beforehand, he pointed out.

The Progressive Party is now concentrating its efforts on a large-scale "information campaign" aimed at the Conservative Party's national congress delegates. When they

arrive at People's House today they will be met by Progressive Party people who are distributing the party platform. "Things have become so distorted through newspapers and the media that it is about time they get to know the truth about us," says Carl I. Hagen.

Christian Party Reacts

36390037b Oslo AFTENPOSTEN in Norwegian
22 Jan 88 p 3

[Article by Thorleif Andreassen: "Christian People's Party: Conservative Party Must Clarify"]

[Text] Kjell Magne Bondevik is asking the Conservative Party's national congress to clarify whether the party will stick to the previous three-party coalition or whether new constellations with the Progressive Party will be introduced. "The Christian People's Party insists on the fact that the natural alternative to the Labor Party is a government of the former coalition partners." However, Bondevik thinks that such a minority government also must seek support from the Progressive Party.

It was in a speech in Sunnmore yesterday evening that the Christian People's Party's chairman challenged the Conservative Party's national congress to clarify which coalition constellations the party will aim at. "Such a clarification is necessary," Bondevik thinks, who, among other things, referred to the fact that the Conservative Party and Progressive Party entered into a firm-commitment coalition in Drammen.

"Any three-party government will be a minority government, in this term and perhaps also in the coming term. Of course it will therefore have to gain the support of other parties. This can be the Progressive Party in some issues, and the Labor Party in other cases. But a solidly built coalition that includes both the Progressive Party and the middle-of-the-road parties will not be able to function in the longer term. This is because the political distances are becoming too great."

Bondevik added that he did not say this out of lack of respect for the Progressive Party, but, on the contrary, because he takes the party's platform seriously. "Of course, on individual points there is identity between the Progressive Party's platform and ours."

But there are fundamental differences in basic major questions that concern social and districtwise development of the society, Kjell Magne Bondevik asserted.

SPAIN

Ministers' Popularity Ranked, Voting Intentions Polled

35480058 Madrid CAMBIO 16 in Spanish
21 Dec 87 pp 18-25

[Text] If faced with replacing ministers, the citizens would be inclined to take the official car away from Carlos Solchaga, the finance minister. And so that he would not be left alone, they would also be willing to ask the prime minister for the heads of Jose Barrionuevo, in charge of the Interior Ministry, and Jose Maria Maravall, minister of education. These are the results of a poll taken by the DYM institute for CAMBIO 16.

And it is not that they are going about very hopeful of reforming Felipe Gonzalez' cabinet, because only one out of every three is counting on a cabinet crisis. But what the public does not appear to accept is that its prime minister might think that requesting of him a change in ministers would mean asking him "the million dollar question," as he described it a few days ago on television.

The prime minister could continue to withhold his opinion on the matter for as long as he wishes, but these taxpayers think that they have taken enough, in their 5 years of idleness, from the one collecting taxes, the one responsible for the citizens' insecurity, and the man who put a legion of EGB [Basic General Education] students at the brink of war. This is how the people feel, despite the many image advisors that have proliferated hereabouts, when they express an opinion, albeit without bitterness.

Because no one is enthusiastic about anything in this country any longer, at least when it is a matter of debating politics. People are apathetic. Since the "crash" in the confidence of Spaniards, there appears to have been a "bust." All the expectations that had arisen in the country since summer concerning a better future seem to have vanished. The points that had been gained then in the category of optimists have now been lost. Nor does it appear that the points or tenths gained by Suarez in his pursuit of Felipe Gonzalez will go any further. Nor is there a margin, when the polls are viewed, for being able to expect the loss of votes predicted for PSOE [Spanish Socialist Workers Party] during past months to become intensified. What is occurring among the electorate during the fall and winter season is apathy.

As shown by the DYM poll during November, simultaneously with the stock market crash, this has increasingly become a country of disbelievers and indifferent people: The government is constantly evoking more indifference with its endeavor; the esteem for political leaders remains as stagnant as the desire to vote or change one's vote. Because of their lack of animation, people are not even moved by the "malady" of acting to replace ministers.

It would appear as if even the healthy habit of conspiring in politics had been lost. Only one out of every three Spaniards favors a change in ministers. Of the other two, there is one who is caught between changing the subject and replacing all of them (even with the possibility of changing the regime. The other is a strong advocate of having the government remain as it is; something that seems to betotal support for Felipe Gonzalez, a prime minister who has demonstrated that his virtues do not include that of resolving a cabinet crisis promptly and assuredly. Although it could also be interpreted, given the lack of enthusiasm prevailing at present among the electorate, as a sign of extremism, in what would be a complete correction of Lampedusa, in the "Gatopardo": It is not necessary to change anything, because everything will remain the same.

Be that as it may, neither of the two interpretations saves Carlos Solchaga from being "the bad one" in this government, just as Narcis Serra "is doing well." According to those polled, there seems to be a great difference between these two former students of the Piarist schools, virtually from the same enrolling class; although the head of the Armed Forces is 4 years older (he is 47) than the custodian of the state treasury. Perhaps the mere fact that they learned their first letters from the same friars, but in different towns (Solchaga in Tafalla and Serra in Barcelona) is sufficiently indicative of substantial differences.

The Bad One

For example, it would appear that, in Barcelona, they taught discretion extensively, whereas, in Navarra, the friars had enough to do molding the aggressive nature of the country's children. The man before whom all of the country's generals stand at attention now was particularly accomplished in the field of harmony, and achieved even greater virtuosity in this discipline than when he sits down at the piano to play a Mozart score. It is no coincidence that he has the strange record of being the cabinet minister who has least opened his mouth to make public statements. Some who claim to know him well say that he has "the mark" partly because he is a man who finds it difficult to express himself fluently in Spanish rather than Catalan. Nevertheless, they conceal the fact that he relies greatly on the special authority that exists in the military area, for calling anything that might prove compromising a confidential matter, so as to remain silent toward the public. However, it is this same public that seems to appreciate this silence of his, to the point of considering him the nicest and most popular minister. This is quite the contrary, apparently, of what has happened to Solchaga. It may be his lot to be "the bad one," almost by profession, because being engaged in scraping the pockets of Spaniards for taxes doesn't seem to be a minor perversity. But what he is not willing to allow is to be called weak. He wants it to be made clear that he has no duplicity, and that he is lofty in all things. "I don't go about here trying to save face; that is why they always make trouble for me," here torted to Nicolas

Redondo, on television, in what was the battle of the year. The minister, an extremely extroverted man, who is entertaining in his close circle of friends, nevertheless admits that, when the "ministerial stiffness" comes over him, "I don't have any gift for winning over people, because I lack a personal charm." His advisors say: "It is no coincidence that his specialty is saying no: to his own colleagues in the cabinet who want a larger budget, to the trade unions seeking wage hike agreements, to the public enterprises with their deficits, etc." After all, they agree, Solchaga might be the first example of a Western finance minister pleasing to the taxpayers.

Nevertheless, there is a general feeling that Solchaga brings to the profession somewhat of a calling. His confrontations with the trade unions; his famous comments, such as "my steady hand will not tremble," when discussing industrial reconversion, or his requests to businessmen to resist the workers' desires to receive wage hikes exceeding inflation, seem to have earned him widespread antipathy. He is the "most hated" minister, regardless of sex, social status, or habitat.

According to the DYM poll for CAMBIO 16, Serra's image is quite different. He is the preferred minister among those between ages 31 and 45; he suits the country's highest classes very well; and he has the majority of his supporters in Catalonia and Aragon. Serra for prime minister? It doesn't appear that he will go that far. But if the rumors are ever confirmed, and Serra moves to Economy and Finance, it would remain to be seen what would become of that good image if his position, instead of punishing generals who "leave the ranks" (and dispelling the specters of any possible involution), became that of keeping the accounts of the realm and collecting the citizens' pittances.

The Second

In this category of being "good" or "bad," there are second ones also. Solchaga's second in the "popular wrath" is the "all heart" minister, as the prime minister himself has called him, Jose Barrionuevo. And this slap in the face would be given by the most senior minister currently in service, Francisco Fernandez Ordenez.

Just a few months ago, the interior minister would have been happy if he could have added to his own requests to be replaced in the position the fact that "besides, people don't like me: revealed by the poll. The truth is that, after the success won in the battle against terrorism, it is difficult for this 45-year old Almerian, whom some maliciously call "Barrionuevo Pena, el ministro de la lena" [Barrionuevo Pena, the minister of rough play]," to propose his resignation or dismissal now.

Neither he nor his advisors would consider it fair now that he appears to be on the crest of the wave. But his analysis is quite different from that made by those polled. Barrionuevo doesn't seem to be rejected more or less based on whether the ETA situation is going better

or worse. Very clearcut groups criticize Barrionuevo: the youth, between ages 16 and 30, the upper classes, and the men and women living in the large urban conglomerates; as well as the inhabitants of Euskadi, of course. These data indicate those who despise him or consider him far to the right ideologically (he is the only minister whom the conservative opposition has publicly applauded), or who think that his problem is that he has proven powerless against crime, the real lord and master of so many Spanish districts and cities. And in this respect, the citizens seem to be quite impervious to whether the one directing the police is more or less "nice-looking" or leftist. Nor does it seem to matter to them whether or not the minister won (as he did) the free hand that he offered to Felipe Gonzalez himself, when he asked him for intensive backing against the savagery, or clearcut permission to leave. Nor do they embark on statements such as the one made so often by the interior minister: "It's a good thing for the people to become progressives, because they pick fights with the Civil Guard and the police when they receive one too many insults." Politics in Spain is so harsh that a minister who has always been criticized because of being helpless against ETA is now being exposed to scorn, when the troublemakers are beginning to become aware of the defeat, because he has not put an end to the criminals. Too much for Barriounuevo!

Just as it seems too much for Fernandez Ordonez to continue at the height of popularity after 20 years of ridicule, and a troubled public life. Those polled by DYM say that Felipe Gonzalez' least imprudent minister, despite the reputation for talkativeness that he gained, deservedly, during his "UCD" [Democratic Center Union] days, has an attachment among the youth, considerable acceptance among the ladies, and a particular attraction among the well-off bourgeoisie of Madrid and Catalonia.

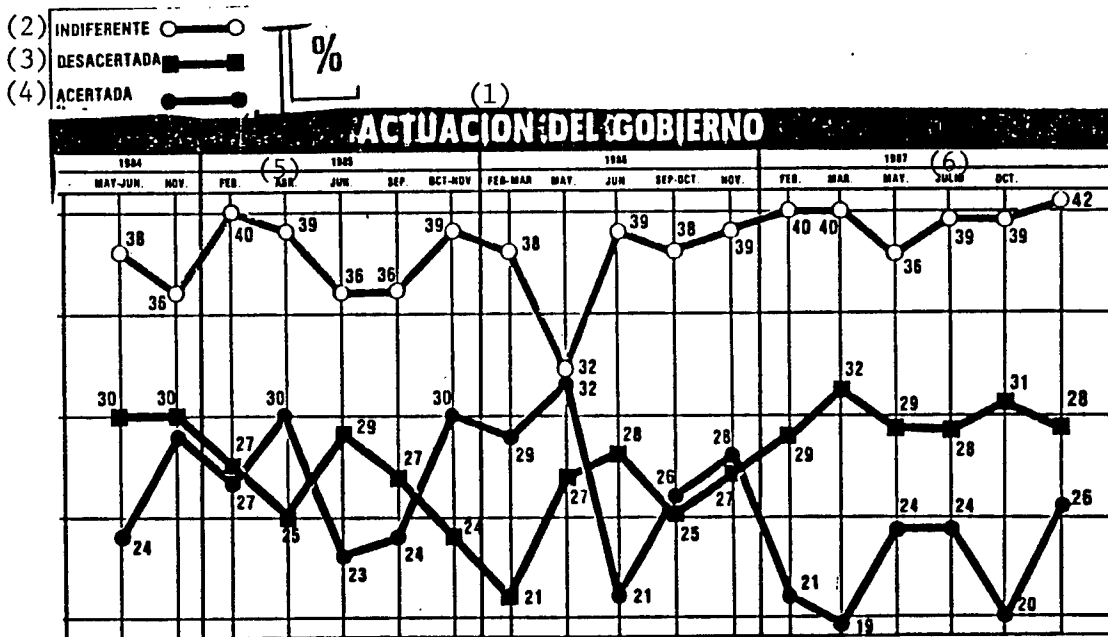
Once again, and this may be the example, the political group should learn more from what people say and less from what is cooking at banquets. At his age of 57, "Pacordonez" is a complete example for his inexperienced colleagues in the cabinet. The citizens see in this man, who claims that he did not choose politics, but rather that "politics chose me," the minister of divorce, of tax reform, and of the rank and file; not the opportunist, turncoat, and mystery man of whom his enemies speak. To be sure, despite all this, Fernandez Ordonez has not reached the height of popularity of his predecessor, Fernando Moran; something which, when viewed from Moncloa and from PSOE (and experience has taught the minister this), should be a virtue, rather than a failing.

In this peculiar cabinet ranking, there are ministers who scarcely appear. Men such as Virgilio Zapatero, Abel Caballero, Joaquin Almunia, Luis Carlos Croissier, Javier Saenz de Cosculluela, or Carlos Romero are important when it is time to fill the "Official State Bulletin," or to take substantial parts of the budget. But they are still complete unknowns to the public: a situation diametrically opposed to that of their colleague in the Ministry of Education, Jose Maria Maravall, a shy person who would quite certainly give anything to go unnoticed.

As in a well-known advertising commercial, Jose Maria ranks third; the very one who has a record filled with academic number ones. But, strangely enough, when DYM tabulated the results, it realized that this minister had ranked in third place among the most likable, the most disagreeable, and also on the list of ministers who should be removed by their prime minister. Obviously, a man capable of this "feat" is a controversial politician.

The controversy raised by this competent Oxford professor has gone so far that it has combined love and hatred among the same social strata: youths between ages 16 and 31, high or well-off social classes, and populations numbering over 200,000 inhabitants, especially in Madrid, Catalonia, Galicia, Aragon, and Asturias. Whatever he may do in the future, the first minister of education who has sat down in Spain with youngsters 15 and 16 years old to decide the fate of dozens of billions of pesetas has been marked by two battles: the one which he won in Parliament from the right with the LODE [Organic Law on Educational Democracy], and the one which he lost on the street confronting the EGB students. The dispute has gone so far that many in the country have accused this socialist theoretician (who is now fighting to be supreme leader in PSOE) of being the cause of the wave of strikes which left the country upside-down last winter, with countless strikes. The theory was simple: if Maravall gave in, why wouldn't the other ministers do so?

The hardest part of all this is that, if being a negotiator leads to controversy, as in the case of Maravall, not being one leads to rejection, as in the case of Solchaga. This is what politics is like, as it appears to the disbelieving and indifferent persons polled during the fall and winter of 1987.



Key: 1. Government's Performance; 2. indifferent; 3. improper;
4. proper; 5. Apr; 6. Jul

(1) INTENCION DIRECTIVA DEL VOTO

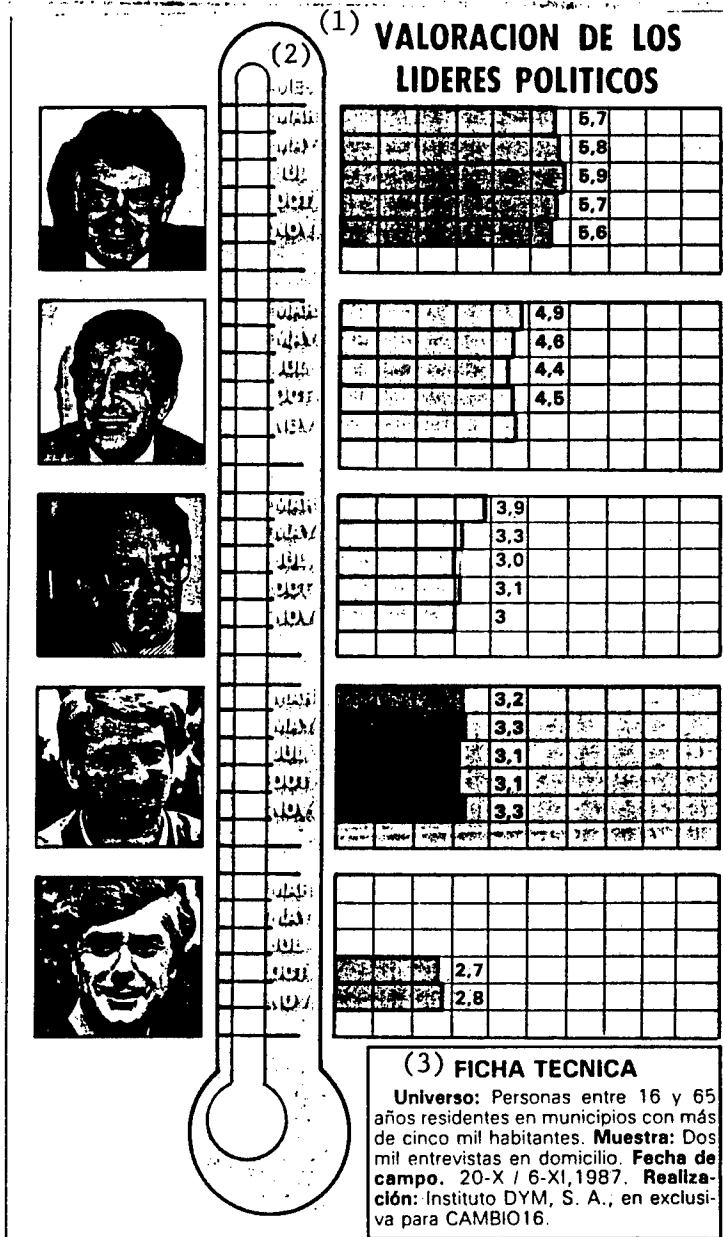
(2)	(3)	(4)	(5)	(6)	(7)
Base: Total entrevistas	Marzo 87	Mayo 87	Julio 87	Octubre 87	Noviembre 87
(8) PSOE/PSC	28,8	28,7	32,7	27,9	28,4
(9) AP	6,8	6,5	5,2	5,3	4,3
(10) CDS	7,4	7,6	8,4	7,7	6,7
(11) CIU	3,0	2,6	2,7	2,1	1,9
(12) PCE/PSUC	2,8	5,2	4,7	3,5	4,4
(13) PNV + EA	1,5	0,5	1,1	1,1	1,1
(14) EE	0,7	0,5	0,9	0,6	0,4
(15) HB	0,6	1,1	0,9	0,6	1,0
(16) PDP	0,3	0,4	1,4	0,8	0,2
(17) Otros	1,5	3,0	2,0	1,3	1,8
(18) No votarian	15,4	11,7	11,4	15,4	15,6
(19) No saben/No indican	31,6	30,2	28,8	33,6	34,2

Key: 1. Direct Voting Intention; 2. Base: total interviews; 3. March
4. May; 5. July; 6. October; 7. November; 8. Spanish Socialist Workers
Party/Socialist Party of Catalonia; 9. Popular Alliance; 10. Social
Democratic Center; 11. Convergence and Unity; 12. Spanish Communist
Party/Unified Socialist Party of Catalonia; 13. Basque Nationalist
Party + Eusko Alkartasuna; 14. Basque Left; 15. Popular Unity; 16.
Popular Democratic Party; 17. others; 18. would not vote; 19. don't
know/no indication

(1) EXPECTATIVAS DE FUTURO (En comparación con la actualidad, cómo será (2) dentro de un año su situación personal)					
	(3)	(4)	(5)	(6)	(7)
	Marzo	Mayo	Julio	Octubre	Noviembre
Mejor (8)	38	37	37	43	38
Igual que ahora (9)	47	49	53	46	49
Peor (10)	9	8	5	7	8
(11) No sabe/No contesta	6	6	5	4	4

(12) ¿ESTA USTED SATISFECHO O INSATISFECHO CON LA VIDA QUE LLEVA?					
	(3)	(4)	(5)	(6)	(7)
	Marzo	Mayo	Julio	Octubre	Noviembre
Satisfecho (13)	62	64	74	67	65
(14) Ni satisf. ni insatisf.	27	24	19	25	23
(15) Insatisfecho	11	12	7	8	11
(11) No sabe/No contesta	0,4	0,3	0,1	0,1	0,1

Key: 1. Future Expectations; 2. (in comparison with the present, what will your personal situation be within a year?); 3. March; 4. May; 5. July; 6. October; 7. November; 8. better; 9. same as now; 10. worse; 11 don't know/no answer; 12. Are you satisfied or dissatisfied with the life you are leading? 13. satisfied; 14. neither satisfied nor dissatisfied; 15. dissatisfied



Key: 1. Evaluation of the Political Leaders; 2. month; 3. Technical
Record: universe: persons between 16 and 65 years old residing in
municipalities with over 5,000 inhabitants; sample: 2,000 interviews
in domicile; date of field work: 20 Oct-6 Nov 1987; execution: DYM
Institute, Inc, exclusively for CAMBIO 16

**Presumed CESID Activities in Recent
Phone-Tapping Incident**

*35480061 Madrid TIEMPO in Spanish
1 Feb 88 pp 32-37*

[Article by Julio Trujillo: "CESID and Israel Suspected
of Spying on Pastor Ridruejo"]

[Excerpts] Rafael Pastor Ridruejo, the diplomat who has been spied on in recent months, was on a top-secret mission: the release of the French hostages in Lebanon. This operation, which French President Francois Mitterrand had requested as a favor for his cooperation against ETA, is regarded as very important by the Spanish Government. The police investigation has been unable to determine who was listening in on Pastor's phone conversations, but suspicion is directed at CESID [Superior Center of Defense Intelligence] and the Israeli secret services.

The director general of Consular Services, Rafael Pastor Ridruejo, has been spied on in recent months. A routine police check uncovered a bug that has greatly vexed the Foreign Ministry itself, the Interior Ministry and La Moncloa. The investigations have not arrived at any definite conclusion, but some sectors of the administration have acknowledged that their thoughts turned initially to the military secret service, CESID, which on several occasions in recent years has done illegal tapping. But there are others interested in Rafael Pastor's secrets. For example, the Mossad, the Israeli intelligence service, which maintains excellent relations with CESID and collaborates with it, exchanging information useful to the two countries.

Rafael Pastor is on a secret mission these days, one of the most difficult in his life. Under the direction of Rafael Vera, the secretary of state for security, Rafael Pastor has spent weeks preparing the release of the French hostages who were kidnapped in Lebanon more than a year ago by the pro-Iranian group Hezbollah (God's Will). French President Francois Mitterrand personally asked Spain to intercede in return for his cooperation against ETA. The effort is of great interest to Spain as well as to other countries, such as Israel, whose survival depends on having more information than her enemies. This fact has prompted the Spanish police to think that the spy operation could have been conducted by several CESID agents, acting more or less on their own, as a special favor to the Israelis.

Suspicious

The police in charge of security at the Foreign Ministry quickly found the tap that enabled someone to listen in on Rafael Pastor Ridruejo's private telephone conversations. In the telephone-line connection box at the entrance to his home in the Pozuelo residential district on the outskirts of Madrid agents found a simple device consisting of a splice into the line, a microphone and a

transmitter that sent the signal somewhere within a radius of 500 meters. There the spies could conveniently listen to what the diplomat was saying.

A Discreet Man

Rafael Pastor is one of those officials who seem made for affable discretion, for quiet lead roles and for efficiency. He has spent most of his career amid State secrets and on delicate missions. Perhaps this, combined with his short stature and his deceptively absent-minded air, make him seem like a spy from a John Le Carre novel.

Rafael Pastor belongs to the European organizations for coordination against terrorism, such as the TREVI. From his post as director general of Consular Affairs, he also has access to the files of foreigners residing in Spain and of those filing for visas to visit our country. Because of his position he is in constant touch with high-level officials in the Interior and Defense ministries. His time as Spanish consul in Amman, the capital of Jordan, and in Jerusalem, besides leaving him hard of hearing as a result of an exotic illness, created contacts that have made him indispensable in certain matters, owing to his relationship with prominent figures in the Arab world.

Rafael Pastor secured the return of Captain Pecina, the Spanish merchant seaman who was arrested in Nigeria for smuggling; he was the intermediary in the release of the GEO members kidnaped in Beirut by the Amal terrorist group, which is headed by Nabih Berri, and he has undertaken secret missions in the Far East and in Central America to relocate ETA members expelled from France. In diplomatic circles he is regarded as a man who can resolve the most difficult problems.

Moreover, Rafael Pastor has access to another kind of important information. It was he who initiated the computerization of Spain's consulates and has been involved in introducing electronic security elements and random message-encoding systems, that is to say, the devices that make official communications with other countries practically inaccessible.

Officials in the Exterior Brigade of the General Headquarters of Information, the civilian counterespionage agency, have told this weekly that it is very difficult to ascertain precisely who has been spying on Rafael Pastor.

In just a few years Madrid has become one of the cities with the most spies per square meter. The number has grown as Spain's importance has increased. "The matters that this diplomat attends to could be of interest to anyone. All of the countries involved in the ongoing Middle East crisis," these sources say, "have major intelligence networks in Madrid, aided by the large Arab colonies that exist in Spain."

What is more, the secret services of some moderate Arab countries have the same good relations with certain sectors of the Spanish services as Israel's Mossad has with others. "To resolve a kidnaping, for example, you have to make contact with three and four bands and, at times, hide each contact from the others. So, a wiretapping case like this will probably never be cleared up," sources in the Exterior Brigade add.

In any case, it would not be the first time that foreign spies were caught operating illegally in Spain. During the Socialist mandate two American CIA agents were nabbed as they were photographing the security systems at La Moncloa palace, and another official of the same intelligence service was detained as he was listening in illegally to the conversations of several South African pilots at a Madrid hotel. In addition, there have been numerous incidents involving Arab diplomats or members of the delegations of the East bloc countries, although the latter have shown a preference for obtaining information on advanced technology rather than on terrorism-related matters.

Moncloa's Man

The Spanish military secret services themselves have been prominently involved in several murky episodes. Besides the two cases cited, CESID has been involved in

incidents such as surveillance of then Foreign Minister Jose Pedro Perez Llorca, which was discovered when the policemen guarding him detained two suspicious individuals who were watching the minister's house and learned that they were Civil Guardsmen attached to CESID. It has also been linked to investigations into well-known figures and journalists, investigations that the Interior Ministry discovered and kept quiet.

One of the reasons for putting a civilian in charge of CESID and tightening the control that the prime minister's office has over the service is just this lack of coordination and of knowledge about what CESID is doing. Roberto Dorado, the Moncloa man who coordinates all confidential State intelligence and insures a link between the prime minister and the heads of the various services, could see a broadening of his area of responsibility and an expansion of his current team that monitors, analyzes and checks the intelligence that Felipe Gonzalez receives. The discovery that Rafael Pastor Ridruejo's phone had been tapped has once again raised all the existing problems and, along with the paranoia about being spied on, has prompted the Foreign Ministry to tighten security measures on every kind of communication.

GREECE

Spanish Agreement on U.S. Bases Seen Keenly Followed

35210063 Athens 1 VRADYNI in Greek 19 Jan 88 p 4

[Commentary by Agam. Farakos: "Spanish-American Agreement a Nightmare for Papandreou"]

[Text] On 15 October 1981 when Felipe Gonzalez appeared—for only a few seconds, to be sure—next to Andreas Papandreou on a balcony on Constitution Square (in a purely partisan foreign intervention in this country's domestic political attacks [as published]), he could not of course imagine that that pre-election appearance of his would create an unorthodox link between Athens (which acquired a PASOK Government 4 days later) and Madrid (which "needed" an additional year—until 29 October 1982—to acquire a Socialist government of its own).

During that phase there was an informal but very significant political and party alliance between the man who was trying—so he said at least—to get Greece out of NATO and his "friend" and comrade who was trying to get Spain into (!) the Atlantic Alliance. Gonzalez succeeded and Spain, now a member not only of NATO but also of the European Economic Community, constitutes, with its 40 million inhabitants, its major industrial capacity, and its strategic position, "is shaping up" [as published] as one of the most important and dominant forces in Western Europe. Papandreou failed—we still do not know whether willingly or unwillingly—in his alleged number 1 strategic goal: Greece did not leave NATO (although it constantly "plays" at it, like a spoiled child) and has remained in the EEC, collects no small sums from it, borrows from the "accursed West," and occasionally plays the good European—one time with the EC Presidency, another time by participating in the various meetings organized by the hated capitalists (!) at Davos.

Today, 6 1/2 years later, something else again unites these two so different and contradictory leaders: the "problem" of the American bases which were—and still are—on Spanish and Greek soil. A problem which is inevitably in the news with the 14 January agreement initialed in Madrid by our old friend Reginald Bartholomew (G. Kapsis' "dear Reggie" from the previous Greek-American negotiations on the removal (so they said) of the American bases from Greek soil) on the U.S. side and by Deputy Foreign Minister Ordonez on the Spanish.

Last Friday's new Spanish-American agreement contains four points. It too was described triumphantly by the pro-Government press in Madrid as a "treaty of withdrawal" but in reality it is nothing more than a "treaty of extension" involving normal moves and certain concessions by the two sides so as to achieve Washington's

basic goal, a goal which Madrid does not oppose (perhaps because it cannot). In the end the Reagan administration agreed to the insistent Spanish demand for the closure of the Air Force base at Torrejon and the removal of the 72 F-16's stationed there which form a keystone of NATO air strength. Felipe Gonzalez' primary argument was that Torrejon was 9 km from Madrid on the main road connecting the capital with the rest of Spain and constituted too "visible" a confirmation of the American military presence in Spain. The Madrid Government proposed that the base be transferred and [as published] another "less visible" part of Spain, Reagan refused, and in the end the agreement stipulates that the F-16's shall be removed and the American base dismantled by 1992.

Thus the triumphant attitude of the pro-Government Spanish newspapers is quite logical; at the same time, however, they modestly do not speak of the other three points in the agreement, which constitute an undeniable American triumph: two other naval and Air Force units now acquire the right, on a permanent basis, to "return" to Spain's soil, waters, and airspace—and to use them as they see fit—in "case of a major crisis" (this judgement is left to Washington's discretion) and—the main point—the new agreement no longer runs for just 5 years but for 8!

The Greek Prime Minister—this is now an open secret—followed developments in the Spanish-American negotiations with an Argus eye, hoping to learn from them and to use any "lessons" that might emerge in "his" own negotiations, which are fully under way at this moment. And every possible piece of information and behind-the-scenes report was sent from Madrid to Athens by "personal" courier to keep the Greek negotiators fully and immediately up to date. This was on the purely diplomatic level. On the propaganda level the usual, familiar cliches were used: state radio and television carefully concealed the other three terms of the Spanish-American agreement (and above all the 8-year duration) and directed the "spotlight" solely at the question of closing the U.S. Air Force base at Torrejon.

THIS shows what will happen (in all probability at least, because with cyclothymic persons one never knows what might happen, particularly when to this psychological problem is added a healthy dose of histrionics) when the time-consuming and by no means hurried Greek-American negotiations reach the critical time for making decisions and putting them down on "paper." Some American military base on Greek soil will be sacrificed on the altar of expediency. If one considers the Spanish precedent, in all probability the one to be sacrificed will be the notorious American base at Ellinikon, which is the source of more trouble for the Americans (because of the demands of the Greeks working there) than of benefits, since in addition it functions merely as a transit point for the U.S. Air Force rather than as a real military base because of strict Greek "stipulations" on its use. These

culminated in the Junta's (!) refusal to permit the Americans to use Ellinikon for military purposes during the major crisis linked in October-November 1973 by the war between Israel and Egypt and Syria!

BUT Greece's problems probably will not be solved by the Americans' sacrifice of their base at Ellinikon. Felipe Gonzalez also secured another very significant advantage: American aid to Spain—roughly \$0.5 billion annually—is completely separated by last Friday's agreement from the question of the American bases maintained on Spanish soil. This means that the \$500 million is no longer considered rent for the facilities provided by Spain to the United States but is given independently and not to some end. Let us see now whether Papandreou too can achieve something analogous in the negotiations with the Americans. This is no abstract question raised for its own sake, and compared to Spain it is less important whether the U.S. Treasury continues to send the "greenbacks" to Athens as rent or as a gift. The issue is a hot one for us because it is inevitably linked with the corresponding aid—almost twice as great—Washington grants Turkey. And an even hotter issue for us is the 7:10 ratio in U.S. aid to Greece and Turkey, even though it is imaginary (since in reality it does not hold and is not applied). Who believes that if the negotiations fail and the American bases are "kicked out," the Americans will continue to give us money? And what would the Papandreou Government do if such a failure of the negotiations—on its watch—led to a cutoff of American aid and to the transformation of the 7:10 ratio into one of 0:10?

12593

Papandreou Details Percentage of Domestic Weapons Production
35210065b Athens ELEVETHEROTYPIA in Greek
16 Jan 88 p 7

[Excerpts] "Within the context of the new defense policy being implemented, our government aims at developing the domestic defense industry because in this way we acquire, to the extent possible, a self-sufficient infrastructure that lessens our dependence on foreign sources."

Prime Minister A. Papandreou stressed the above points during the opening ceremonies of the new EVO [Greek Arms Industry] plant wing in Mandra, Attiki.

This new wing will build the greater part of the Artemis 30 system and will also be involved in its final assembly. Some parts of the new anti-aircraft weapons system are already being built in EVO plants in the Aegean area and Lavrion. Also, F-16 aircraft fuel tanks and the Leonidas II armored tank turrets will be built at the new wing.

The ceremony began with a speech by EVO President S. Kambanis. Subsequently, Prime Minister A. Papandreou spoke. Among other things, he stressed that 20 percent of our armaments are made in our country and more specifically he mentioned the following percentages of Greek-made items:

1. Ammunition, from 67 to 75 percent.
2. Mobile weaponry, from 59 to 90 percent.
3. Truck, from 41 to 100 percent.
4. Armored personnel carriers, from 0 to 100 percent.
5. Aircraft and helicopter maintenance, from 70 to 100 percent.

05671/09599

Past Weapons Production Reported; Future in Question

35210065a Athens MESIMVRINI in Greek
18 Jan 88 p 4

[Excerpt] "Last Saturday, the prime minister tried to usurp ND's achievements in the defense industry sector. The prime minister spoke during the opening of the new wing of the EVO [Greek Arms Industry] plant in Mandra to very little applause." This charge was made in an ND announcement that stressed that Mr Papandreou was hiding the fact that both the structuring and growth of the war industry occurred during the period 1977-1981.

More specifically, with regard to the Artemis-30 anti-aircraft weapons system that the government so greatly praised, the ND announcement emphasized that the project had been studied and planning in 1980 and that seven whole years were needed to reach the date of the inauguration of the plant that will be involved in mass production.

Analytically-speaking, ND mentioned that in the period 1977-1981 the following steps were taken in the defense industry sector:

1. The arms manufacturing authority sector: The EVO was set up. It was developed in the Aegean area and it began operations in April 1979.

In 1981, EVO manufactured the following:

- (a) The G3-A3 and G4-A4 automatic mobile gun and the HK-114 submachine gun, of German technology (Heckler und Koch Co.).
- (b) The MG-3 machine gun, also of German technology (Rheinmetall Co.).
- (c) The 90-mm recoilless anti-tank gun.

During the same period of time it studied and planned the manufacture of the following items:

- (a) 81-mm mortar.
- (b) 20 and 30-mm antiaircraft artillery.
- (c) The Artemis 30 antiaircraft weapons system.

2. Military and civilian vehicles: In 1981, national capabilities in this sector fully met the needs in military vehicles (5-ton), armored personnel carriers, civilian-type trucks (3-32 ton), and buses of every category.

A more basic industry in this particular sector was Stayer-Ellas, 60 percent state company, in the Salonica area.

3. Aeronautical engineering industry: The big Greek Aircraft Industry (EAV) was established in Tanagra where it soon met the needs of both military and civilian aircraft in maintenance needs, repairs, and refurbishing of every sort. It also carried out on-site repairs on aircraft systems and aircraft mainframe parts, as well as electronic checks and maintenance of advanced technology weapons systems, such as air-to-air missile systems and aircraft electronic systems and ground installations systems.

During this period of time the bases were laid for the following projects:

- (a) Development of technical and technological capabilities for the construction of medium-range transport aircraft.
- (b) Participation in European consortia for co-production of modern military aircraft parts.
- (c) Participation in European co-production of the ultra-modern surface-to-air Patriot missile, of American technology.

4. Telecommunications and electronic materiel manufacture: In the period 1980-1981, the armed forces were supplied by the private sector with significant telecommunications electronic equipment, such as telecommunications shields, microtelephones, radio sets, panels, etc.

With regard to the public authority sector, significant competency was created in EAV's electronic wing, in the National Defense Research Center, in the electronic industry set up at the time through the cooperation of ETVA [Hellenic Industrial Development Bank] with the French firm CINTRA that had as its mission to primarily meet the needs of advanced electronic technology. The firm that was established was greatly harassed by various branches of the armed forces and it was finally dissolved under PASOK.

5. Shipbuilding industry: The Skaramanga, Elefsis, and Syros shipyards were upgraded, as well as a large number of small shipbuilding units, with noteworthy operations by the private sector.

This resulted in Greek shipyards constructing advanced-type COMPATANT 2 missile-carrying vessels, multi-purpose fast-speed vessels, as well as auxiliary vessels of various displacement.

A large number of industrial plants that fall into the private initiative sector were used as subcontractors or undertook the implementation of specific projects.

The basic infrastructure of the domestic war industry was supplemented by base plants, two state aircraft plants and the Salamis and Souda shipyards.

Also worthy of mention is the tank construction plant in Valestino and the caterpillar track construction plant.

Besides the above, other projects had been worked out but under PASOK they have been left to languish.

The ND statement concludes as follows:

"New Democracy handed this war industry over to PASOK.

"It is well-known in what condition it is today. It suffices to mention that PYRKAL [Munitions and Cartridge Co.], one of the profitable industries whose products came out among the top in NATO test firings, has today become a problem company."

05671/09599

Military Retirement, Promotion System Scored
35210065c Athens ELEVETHEROTYPIA in Greek
16 Jan 88 p 9

[Article by Spyros Karatzaferis]

[Excerpts] Greece is a country of pensioners. Minister of Labor Giorgos Gennimatas recently admitted this in Patrai. The minister is one of a breed of politicians that is not afraid of the truth regardless of how bitter it is.

We are not, however, a country of pensioners only. Unfortunately, we are mainly a country of young pensioners.

There are certain categories of working people who receive pensions at an early age, as, for example, the military.

And, of course, the military personnel are not themselves responsible—as is the case in any other sector—for their becoming pensioners during their most productive years, that is (primarily) between 40 and 45 years of age. It is

the state that is responsible, the state that legislates laws not to the interest of the country but to the partisan interest of each successive government.

Of course, military leaderships have from time to time exploited, for their own parochial interests, the partisan games of various governments. Thus, there has been created within the armed forces a category of young pensioners from which meritocracy is to a great extent absent.

Each year, 300 to 400 "young" pensioners crop up from the armed forces and the state loses in many respects:

1. The public coffers are burdened each year with 300-400 pensioners, between the ages of 40 and 50, with this burden continuing on an average of 30 years.
2. With their becoming pensioners the state loses millions of drachmas that it had spent training these officers. A pilot, for instance, costs the state over 100 million drachmas for the first 20 years of his career.
3. It is understandable that all of these young military pensioners, who cost us so much to be trained, should seek some occupation, even for psychological reasons, and be assigned to various positions—public or private—to the detriment of young professionals.

The issue is a timely one because since last Monday the annual production of "young generals" began with the scheduled special performance evaluations, a system implemented by ND and maintained by PASOK.

Therefore, the special performance evaluations are now being held and in a month's time the regular ones will take place, as dictated by law. Officers are judged by these special performance evaluations and a few dozen "young" pensioners will come forth. It is understandable that with these performance evaluations the military is turned upside down: transfers, reassignments, readjustments, etc.

And as soon as the military begins to calm down after the commotion caused by the special performance evaluations, here come the regular ones as a result of which another dozen or so "young" pensioned generals crop up and another big mix-up ensues. New transfers, reassignments, etc.

A logical person would have to wonder. Why are both special and regular performance evaluations held in the armed forces?

No one can logically answer since it is an invention with a Greek patent.

Perhaps to get the final number of discharges "confused." Perhaps because each successive partisan interest is served. Perhaps because we are wily Greeks.

We have also invented another "clever thing" besides the special performance evaluations for the production of "young" military pensioners.

The law on hierarchy and promotions determines that:

"If a younger person is promoted the one with the greatest seniority in discharged."

This is also a Greek copyright. In other words, a colonel is promoted to brigadier general because he is competent and the previous one, who is good in the rank of colonel and is useful in this grade, is discharged. And he could produce for quite a few years more since he is not yet 40 years old.

With this "crazy" law, Greek officers will either become generals or "young" pensioners, there is no middle solution.

05671/09599

NORWAY

Defense Chief Urges South Not Be Neglected in Military Plans

36390036a Oslo AFTENPOSTEN in Norwegian
8 Jan 88 p 15

[Article by Olav Trygve Storvik: "Balanced Area Defense"; first paragraph is AFTENPOSTEN introduction]

[Text] The chief of defense, General Vigleik Eide, warned against permitting too large a military imbalance between north and south Norway in a speech at the Military War College on Thursday. He also warned against committing an excessive amount of resources to receiving allied reinforcements at the expense of Norwegian forces.

In an analysis of the threat, Eide maintained that the Soviet Union intends to expand its naval control as far forward as Greenland, Iceland and Great Britain, and that Moscow also intends to break the supply lines between the United States and Europe.

"The Northern Fleet can also represent an offensive capacity aimed at the European continent, both directly and indirectly," he said. In order to carry out these tasks, the Soviets must control northern Norway, or preferably all of Norway, maintained Eide. He therefore considered it a great advantage that allied naval forces operate forward into the Norwegian Sea.

"These forces will have a decisive positive effect on the land war in Norway without involving Norwegian territory," said Eide.

Northern Norway Most Exposed

Northern Norway is still the most exposed area of the country, seen from a military standpoint, and the north has been given priority when it comes to defense investments.

"But it is also important to have a certain defense threshold in southern Norway. We must not have such a military imbalance between areas of the country that the simplest way to take northern Norway would be to attack southern Norway. We must guard against reaching simple and unbalanced solutions," warned Eide. He noted that unexpected situations can arise in southern Norway, such that the Swedish defense of the Danish Sound and Belts could be defeated sooner than expected, for example.

"Although many appear to believe it is, allied support is not cost-free," said the chief of defense.

"Therefore, the Norwegian defense forces today have a structure which takes into consideration that allied support is a part of our total defense potential. That is because investments only give the assumed disbursement when and if the allied forces come to Norway, and which can be used to build up a greater national defense capability. Now we must obviously depend on allied support because it has a great deterrent value, but we must always see to it that there is balance between an apparatus which makes acceptance of allied support credible, and a national defense which, if necessary, can fight alone for a period of time."

In his speech the chief of defense also expressed concern about the eventual consequences of the INF treaty between the major powers. He said that the northern areas, as a consequence of the agreement, can have an increased role in the central balance, and also have greater importance in the European nuclear picture.

"With a reduced number of intermediate range missiles on the continent, the remaining seabased nuclear weapons have greater importance than before, both absolute and relative. This is a tendency which can be reinforced if strategic weapons are eventually reduced by 50 percent. Both superpowers, and especially the Soviet Union, will then have a relatively greater share of their nuclear weapons onboard strategic submarines than is the case today," said the chief of defense.

09287

NATO 'Fire Brigade' To Participate in Fewer Northern Exercises

36390038 Oslo AFTENPOSTEN in Norwegian
20 Jan 88 p 32

[Article by Liv Hegna: "Expensive Allied Exercises Halved"]

[Text] NATO's "Fire Brigade" (AMF) will now participate in major winter exercises in northern Norway only every fourth year, versus every second year.

The saturation point has been reached in military defense as far as the capacity for host country support on both the materiel and personnel sides is concerned.

The wear and tear on the land in the most frequently used exercise areas in northern Norway has led to growing displeasure among the civilian population. These are some of the conclusions in a report on military exercise activities in the country's northern region.

It is hard to calculate with complete precision the cost of allied exercise activities in northern Norway. However, individual expense items show that allied forces cost three times as much as national forces. All correspondence must take place in English when foreigners are involved. The planning procedure is more comprehensive and there is a greater need for written agreements and detailed information. The wear and tear on materiel and the land is greater as far as individual foreign units are concerned than for Norwegian units. This is especially true in the winter.

Losses

It can be documented now that the volume of losses increased by 60 percent from 1985 to 1986 in the North Halogaland Land Force and Troms Land Force. The final figure for 1987 is not yet available, but information from loss officers suggests a further doubling of the number of losses during the Cold Winter and Bare Frost exercises. This is associated, incidentally, with exercise activities for the newly established armored battalion in the northern Norway Brigade and heavier infantry battalions. In addition, the civilian population has become better at reporting losses.

Materiel

The lending and renting of materiel as part of host country support varies from unit to unit. It can be a question of borrowing about 70 tents for the Fire Brigade (AMF), while the Canadian CAST brigade borrowed more than 500 tents during the Brave Lion exercise in 1986. However, in military quarters it is expected that the commitments toward the CAST brigade are to be removed from the troop lists as of and including the year 1990.

An increasingly greater conflict between foreign units and Norwegian units as far as the use of the refresher course centers in northern Norway is concerned has developed in recent years. This is especially true during winter exercises. There is a need for 36 such installations for a total of 36 company units, whereas today there are 18 of varying quality. But today's appropriation pace sees no improvement for the military as far as this capacity problem is concerned. However, foreign units have to an increasingly greater extent chosen to take

lodgings at civilian establishments, partly because of a shortage of exercise centers, and partly because the standard offered by the armed forces is not considered satisfactory.

Refresher Courses

As far as host country support for NATO's Fire Brigade (AMF) is concerned, this extends in time over the time refresher course units are in for exercises. This problem has been solved up to now by a partial call-up, a thing that makes the system considerably more expensive. The majority of the personnel for this service are taken from Supply Regiment No 6, which, as AFTENPOSTEN understands it, is at present struggling with a very strained situation as far as personnel for the staging of mobilization are concerned. Just the outlays for 19 liaison officers amounted in 1987 to 40,000 kroner in additional expenditures over those of the items concerning working hours regulations for military servicemen and the travel item.

The Fire Brigade

The NATO Fire Brigade (AMF) has little opportunity for winter training aside from the time in northern Norway. Italian General Franco Angioni, who is the commander of the Fire Brigade, has therefore accepted the Norwegian plan of letting the brigade take part in full-scale field exercises every fourth year, but of receiving in return the opportunity for exercises for separate units in northern Norway every second year. When the allied Express exercise was called off in 1986 after the tragic Vassdalen accident, the Fire Brigade all the same continued its own exercise with great benefit, according to its commander at the time, Canadian General Andrew Christie.

8831

SPAIN

Chief of Staff Interviewed on Armed Forces Reform

35480062 Madrid CAMBIO 16 in Spanish
1 Feb 88 pp 24- 26

[Interview with Defense Chief of Staff (JEMAD) Gen Gonzalo Puigcerver by Maria Merida; date and place not indicated; first paragraph is introduction]

[Excerpts] Gen Gonzalo Puigcerver, the defense chief of staff, is a jovial 63-year old native of Alicante who has had a brilliant professional career. As a pilot he studied in the FRG and the United States and for more than 10 years served at the Torrejon air base. Before achieving the highest of military ranks he served as chief of the King's Military Guard for 2 years.

[Question] Is the military reform that is under way in Spain working as planned and is it really in keeping with the wishes of the majority in the great military family?

[Answer] The changes that have been introduced have been fundamentally designed to enhance effectiveness and operativeness. In this regard, the Armed Forces, as an institution, realized that this was necessary and in implementing the changes have tried to do as little harm as possible to individuals.

[Question] But what is the purpose of the reform? To bring ourselves in line with the Armed Forces of the NATO countries or to make our forces work better and be as unreminiscent of the past as possible?

[Answer] We are indeed trying to operate as the Armed Forces of the United States, Germany or France do, for example; that is to say, to integrate into the style of the Western world but without at all losing our traditional and fundamental essence. But to be neither above nor below what the other armies are doing. Wideranging reforms are, of course, bothersome, but we have tried to carry them out in the most appropriate manner, and moreover the Armed Forces accept anything that they recognize benefits them and the role that they must play, which is always one of balance, calm, defense and effectiveness.

[Question] Have the results of our membership in NATO been beneficial to Spain so far, and has involvement in the Alliance forced us to remodel our defense plan?

[Answer] I regard as beneficial anything having to do with Spain modernizing and in any way joining the arrangements of the Western world. From the military standpoint and for the purposes of better coordination, membership in the Alliance has made it advisable for our Defense Policy Cycle to conform to the planning method that NATO uses, as far as the timetable and procedure for drawing it up is concerned.

[Question] From a strictly military, not political standpoint, is our full integration into NATO's military structure advisable, or does one approach depend on the other?

[Answer] The two viewpoints cannot be separated, because our type of membership in NATO is dictated by the administration's defense policy. And as I have stated on another occasion, the Armed Forces are fully aware that political decisions must take into account Spain's role and place in the international community as domestic and external economic conditioning factors.

[Question] What are the advantages of the government letting NATO use Spanish territory as a logistic base?

[Answer] I feel that this offer has advantages for both the Alliance as a whole and for Spain itself. To the Alliance it means having more ports and airports available, as well as Spain's railway system, for reinforcement and resupply operations in Europe, which lends it greater logistical depth. To Spain it could mean benefiting, as a

member country of the organization, from the aforementioned advantages; also, some of the funds that NATO puts into infrastructure improvements could be channeled into improvements at ports, airports and even the railway system.

[Question] What does coordination of Spain's defensive missions consist of?

[Answer] Even before we belonged to the Alliance, Spain was a strategic area that the Alliance was interested in controlling because of its unquestionable geostrategic value. Our membership in NATO, with the special feature that we are not part of the military structure, means that we must reach coordination accords for the use of our forces and the forces that the Alliance plans to use in our national strategic space, to avoid overlapping efforts in performing a single mission and even to relieve some of the forces from the other Alliance countries of these missions.

[Question] Do you think that the Spanish people are sufficiently familiar with what defense is and means and with its importance? Is the collective awareness in this regard at the same level in Spain as in the other Western countries?

[Answer] I think that we must foster in every possible way the conviction that the defense of Spain is up to all Spaniards and that no one should ignore it. On the other hand, nations, like the individuals that make them up, have idiosyncrasies that influence the way that they express their sentiments. Therefore, it is hard to compare what lies hidden in the hearts of individuals and nations, based on what they allow to show through. But throughout our history the Spanish people have given sufficient evidence that they know what national defense is and means.

[Question] What other matters require your special attention at the moment?

[Answer] Achieving the necessary integration of the three branches by adopting a suitable doctrine of unified action, which as I have stated on other occasions, is indispensable both for the organization of the command structure and for running the joint operations of other armies.

A Controversial Law. [Question] Is the Military Function Law causing unrest in various sectors of the Armed Forces?

[Answer] If your question is motivated by certain isolated incidents that have recently come to light, I must tell you that the reason for them has been that certain individuals are mistakenly interpreting news items and reports on questions that are still under study as laws already on the books.

[Question] Do you think that the agreement between the United States and the Soviet Union on the withdrawal of nuclear missiles from Europe is a positive step or is bolstering the conventional arsenal the really important thing?

[Answer] I find it highly positive, as long as the necessary verification of their actual withdrawal from Europe can be conducted with sufficient certainty and as long as the countries of the Alliance and the Warsaw Pact take the appropriate measures to strike a real balance in the field of conventional weaponry.

8743

SWEDEN

Armed Forces Chief, Party Heads, Soviet Leader on Incursions

Forces Chief Admits Disappointment

36500049 Stockholm DAGENS NYHETER in Swedish
18 Dec 87 p 5

[Guest Commentary by Supreme Commander Bengt Gustafsson: "We Have Failed"]

[Text] The Swedish strategy on the submarine issue has failed. That is the conclusion drawn by conflict researcher Wilhelm Agrell on the basis of the report on foreign underwater activity in the summer and fall submitted to the government by the Supreme Commander of the Armed Forces. The supreme commander's report produces evidence that the foreign activity was undertaken by the Soviet Union. This situation is totally unacceptable, in Agrell's opinion, and he demands a tougher political stance vis-a-vis the Soviet Union.

Yesterday the supreme commander presented to the government his repeatedly delayed report about foreign underwater activity during the summer and fall. For the first time since 1982 this material reveals evidence that the foreign activity was carried out by the Warsaw Pact, that is to say the Soviet Union. The basic question is not, however, whether the government should act diplomatically or not in the resulting situation, but the necessity of a new political course in order to handle what is and remains an acute security policy problem.

On one level the content of the supreme commander's report is actually nothing new: the familiar, extended underwater operations which have continued since the presentation of the ASW [Anti-Submarine Warfare] Commission's report in April 1983 were neither outbursts of periscope sickness nor the work of Martians. In fact, the evidence, chains of evidence, or the always elusive incontrovertible proof only represent confirmation of what everyone has already realized: that two plus

two are four. The significance of the supreme commander's report thus lies on a different level, but there it is all the more important. It involves nothing less than the return of the submarine issue to the political arena.

In order to understand the importance of that, it is first necessary to grasp the process with which this issue was gradually suppressed and buried in Swedish politics. In the spring of 1983 a party-political unity had been established, within the framework of the ASW Commission, around a number of central issues regarding the foreign submarine incursions.

During the period from April 1983 to December 1987 the submarine issue then underwent radical changes in various ways. The only thing that appears unchanged in all essential respects is, paradoxically, the patterns of the foreign underwater activity. The Swedish unity around the submarine crisis had scarcely been established when it fell apart in the series of foreign policy incidents. The continued submarine incursions and the interpretation of them here became fuel in a political struggle that seriously threatened a fundamental agreement about security policy.

The result was that strong political forces were set in motion in order to remove the submarine issue from the front line of party politics and that the military leadership, squeezed between political fighting and a sceptical and scared public opinion, became increasingly cautious. During these years the supreme commander's language underwent the well-known diplomatization, behind whose facade strong internal conflicts developed in order ultimately to become fully visible.

Behind all of this lay the fundamental failure of the double strategy the Palme administration had established when taking power in the fall of 1982, that, one, the risk should be increased for the violating submarines in order thus to create a deterrent and, two, one should take action against the Soviet Union in order to remove all doubt that Sweden was serious in its policy of neutrality.

On the basis of this double strategy it was entirely logical that the government on the one hand threatened to sink violating submarines, and on the other side via diplomatic channels tried to establish contacts with the East, among them the feeler brought forward by Anders Fern regarding a back channel between Stockholm and Moscow. But this was a strategy founded on erroneous assumptions and therefore without preconditions for success.

The hopes that the defense would be able to achieve a deterrent effect were shattered as the intruder's capacity and the inadequacy of our own means became apparent. In retrospect, the military evaluations upon which the strategy, as well as the recommendations of the ASW Commission, rested do not appear very realistic. The

incursions continued and the defense was not capable of intervening with such effect that a conclusion could be reached one way or another.

What happened instead was that Sweden seemed to end up in a dead-end street, where the action on the submarine issue threatened other and more urgent security-political considerations: the Eastern superpower neighbor's confidence in the will behind Sweden's policy of neutrality. Swedish diplomatic actions against the Soviet Union failed on this point, as in several other controversies of the post-war period. The reason seems to have been a combination of deficient analysis and political consequence on the Swedish side and the ability of the Soviet Union to utilize, as in the previous cases, the inherent weaknesses in the Swedish position.

Accordingly, the Soviet side, through a number of channels from Foreign Minister Gromyko to researchers and journalists, skillfully bounced the diplomatic ball back into the Swedish court by presenting a surprised face and criticizing the Swedish government for not being sufficiently alert to the "risky game played by the military and conservative circles."

From having been the injured party in the spring of 1983, Sweden was thus forced to be on the defensive when the Soviet Union rejected the Swedish protests and raised the stakes by letting it be understood that Soviet confidence in the Swedish politicians was not complete. In this manner the attention around the continued submarine incursions became transformed into a problem for Sweden, since the Soviet Union was able, just as Germany in the war years, to successfully exploit the predominant Swedish ambition of being able to inspire confidence, particularly in a threatening major power.

The result of the failure of the double strategy was devastating. The Swedish policy vis-a-vis the Soviet Union ended up in a hopeless conflict between the goals of protesting against the violations and of building confidence toward the East. The solution was gradually to define away the incursion problem, letting a dividing line grow up between events before and after Harsfjarden and in the latter cases to emphasize uncertainties and decreasing trends in the supreme commander's increasingly cryptic reports.

But no official declarations about good intentions or referrals to sets of proof invented by ourselves can hide the fact that the Swedish policy has failed, that under humiliating forms we were forced to submit to a situation which as late as the spring of 1983 appeared totally unacceptable. It is possible that this development was difficult to avoid because knowledge about the extent and character of the problems was incomplete to begin with. But political party squabbling and the lack of an overall analysis seem to have been a good help along the road.

And here we are now, painted into a security policy corner. It is all right as long as we do not move, shove each other or think too much about the situation. It is all right as long as the submarine crisis can be defined as a political non-problem, but the moment this is no longer possible those responsible in government and opposition will be forced to act, and what is important is that they will then be able to formulate a new political strategy for dealing with this crisis.

The starting point for such a strategy must be that the present situation is not only embarrassing or deeply worrying, but that it is and remains totally unacceptable. Only then can goal and means be regarded in their proper context and be given the right proportions. As for military measures, they involve the will to provide complete support in order to resolve an acute security problem. I previously touched upon the meaning of this in an earlier article (DAGENS NYHETER 11 Sep). But it also involves the demands imposed by the political leadership on the military organization and the possibility of once again tightening the rules for deployment of weapons in domestic waters and territorial seas.

The major problems exist on the political plane, however. The shelved submarine issue has created vagueness and instability in the Swedish security policy with strong underlying conflicts which bubble up from time to time. A new strategy presumes a fundamental and openly reported analysis of what the problems consist of and what course we believe we have to follow. Perhaps it will then also become easier to live up to Olof Palme's declaration at the 1984 party congress "to have enough self-confidence to look the major power straight in the eye." And perhaps we might also become less worried that, as soon as we raise our voices, this power will again conjure up the credibility ghost before us.

Newspaper: Carlsson Toughens Tone

36500049 Stockholm DAGENS NYHETER in Swedish
22 Dec 87 p 2

[Editorial]

[Text] The tone has been sharpened. But after a supreme commander with much initiative recently summed up the situation in our waters, the government is preoccupied. The uncertain handling of the report indicates that the parliamentary leadership is wondering where it stands. The combination of various military measures and diplomatic efforts aimed at building East/West relations which inspire confidence have not yielded tangible results.

The fact that the prime minister himself broke the silence Sunday night is fine, of course. There must have been realization within the administration that it was a mistake last Friday to let the taciturn defense minister alone—as the minister with expertise—present an official comment after a period of some confusion around the supreme commander's greatly delayed summary. On

an issue of central importance to the nation's security the government cannot afford politically to end up in silence and introspection, when other parties feel free to comment on the situation.

In looking at what Ingvar Carlsson actually said on the "Dagens Eko" program, it is perhaps the expletives which remain in one's memory. Is there something besides increasing irritation, or even desperation, which causes leading minister to start acting up?

What was it Foreign Minister Sten Andersson said a few weeks ago? "In the end, the devil may take the one or ones who are violating our national integrity and our desire for peace!" And now the head of the government himself has warned that "blood may flow."

The phrases seem a little too demagogic. And many people in our country who lack familiarity with the obligations of international law have a hard time understanding what is the purpose of this. What is really new is only that Ingvar Carlsson is sounding off. As early as October 1982, in connection with the ASW Commission after the Harsfjarden mobilization, Olof Palme, during a press conference called for the purpose, brought back the possibility that the administration could order the sinking of an intruding submarine.

The Chancellery and the Foreign Ministry still do not want to issue a broad picture of how serious a threat they believe we are facing in comparison with the horrifying scenarios played out in many parts of the media world. The horror examples involving spetsnaz people and others remain unchallenged, almost as if they were true.

It is obvious that the administration as well believes that a large number of incursions have taken place. Supreme Commander Bengt Gustafsson says that there is unity regarding the occurrence and geographical extent. Ingvar Carlsson offers at least that much of his own evaluation as to warn against the impression that we are exposed to daily violations. "There is more uncertainty than may have been mentioned here and there—the extent can be discussed."

But even having to be forced to acknowledge the opinion that a number of incursions have occurred is a serious blow to an administration which had anticipated calm on the submarine front. Based on his own evaluation, Ingvar Carlsson should not be satisfied with moving up the appropriations but should try to increase the opportunities for antisubmarine warfare. However, changing the current practice scarcely implies a decision to order military personnel to prevent violations "with all means."

Some is probably gained by charging the supreme commander with making an overall evaluation of a "potential change in the content of our ASW policy" in order to increase effectiveness. But the demands of naval expertise for additional measures must be reasonably known

by persons responsible for our defense and security policies. The recommendation that the opposition should examine what the supreme commander's analysis group has achieved raises the suspicion that for a large number of years our politicians have not bothered to find out the value of the military analyses!

The demand for yet another commission has been raised several times—the first occasion was when reporter Anders Hasselbohm in his book "Ubatshotet" [the Submarine Threat] rejected the findings from Harsfjarden with about the same assertions and arguments as former Army Chief Nils Skold is now doing. It is understandable that the administration does not feel thrilled with Carl Bildt's assertion that a new commission could end up tying the administration to new accusations, founded on evidence from the supreme commander, against the Soviet Union.

We cannot avoid the nationality issue, however. Referring directly to Washington and Moscow, Ingvar Carlsson says that the price could become too high for the power that is caught violating Sweden. But that may never take place. What is needed now, unfortunately, is a strategy for living without proof.

New ASW Weapon Unveiled

36500049 Stockholm DAGENS NYHETER in Swedish
22 Dec 87 p 6

[Article by Mats Carlbon and Anders Lundqvist: "New ASW Weapon Being Developed"]

[Text] The development of a new weapon for antisubmarine warfare in Sweden was unveiled on Monday. It involves a target-seeking underwater torpedo for shallow waters on which the Defense Research Agency, FMV, is working right now.

It was Secretary of State for Foreign Affairs Pierre Schori who made the disclosure during a visit to Helsinki.

"The problem is that there are ASW weapons for deep water, but it is difficult to trace and force a submarine to surface in the shallow archipelagoes," said Schori, according to the news agency TT.

The new weapon is a development of Torpedo 42 which is available for ASW today. This is confirmed for DAGENS NYHETER by Wyn Enqvist of the Naval staff information section.

"Torpedo 42 today needs to make a sharp turn before locking in on the target," he says. It could be described as a "bath tub turn." The developed version is to be deployable in a so-called zero position.

'Decisive Usefulness'

"Our striking power is increased considerably with the new torpedo. Above all, it has significantly longer range and can be used much deeper into the archipelagoes. From a purely tactical perspective we become more effective, which should clearly be a deterrent to an intruder."

Those are the words of Lars-Goran Persson, chief of the Naval staff.

"The submarine is sunk with a strong and directed charge. It is knocked out and the crew has very little chance of saving itself".

There are many things at the top of the Navy's wish list, and development of Torpedo 42 has always been there.

"It opens new possibilities. My judgement is also that we could have made decisive use of the new torpedo in most of the ASW operations in recent years."

Enqvist also confirms that it involves all-Swedish development work by the FMV's torpedo section.

On the other hand, he does not want to reveal how long it will be before the modified version of Torpedo 42 can operate in the Swedish archipelago.

'Another Year'

"But it will not help us in 1988. It will take at least another incursion year before development is complete," Wyn Enqvist says.

Until now, four weapons were available to the armed forces for ASW: Homing torpedoes, depth charges, anti-submarine grenades and mines.

But the torpedoes have never been used so far. The reason is that they require deeper waters than those in which ASW is normally carried out in Sweden.

"Further, they require us to have control over a large area of water," says H. G. Wessberg of the Defense Staff. We must be completely certain that they do not go on and sink a civilian ship, for instance.

No Rules

For similar reasons no mines have been used in ASW since 1973. A mine requires a submarine to pass over it, as well as no civilian ships on the surface.

"It wouldn't be a good idea to sink a Finnish ferry," H. G. Wessberg says.

On the other hand, there are no rules, other than security ones, prohibiting the military from using, for example, missiles in order to sink a foreign intruder in inner Swedish waters.

Ingvar Carlsson's statement on Sunday that the military may sink foreign submarines provides nothing new, H. G. Wessberg says.

"That is the reality we have been living with since 1983. At that time the rules were changed so that we may make armed intervention without previous warning."

Greater Power

"To be sure, it says in the instructions that to begin with we must try to force a submarine to the surface in order to identify it. But the weapons available for this do not have much precision. They could just as well sink the submarines as damage them."

"But that is primarily the intruder's problem, not ours," H. G. Wessberg says.

The deployment of a new target-seeking torpedo for shallow waters would increase the power of the Swedish ASW forces considerably. Wyn Enqvist of the Naval Staff is not exactly hiding the fact that one would have liked to see an even greater effort in ASW.

"We would prefer a second ASW force to be established parallel with the development of the new torpedo," he says.

Report Points to Soviets

36500049 Stockholm DAGENS NYHETER in Swedish
22 Dec 87 p 6

[Article by Sven Svensson: "Supreme Commander's Group Indicates Soviet Union"]

[Text] In the secret portion of the submarine report, Supreme Commander Bengt Gustafsson has not pointed out any nation as responsible for the incursions. That is what politicians, who have learned orally of the supreme commander's secret material, say to DAGENS NYHETER.

On the other hand, the supreme commander's analysis group has brought up points which more or less clearly indicate the Soviet Union as responsible for the violations.

Does Not Hold Up

According to the supreme commander's line of arguments, it is up to the political leadership to decide whether the evidence is sufficiently strong to implicate a certain nation. The supreme commander presents the

data for this evaluation. All four parties unanimously agreed that the presented material this time does not hold up for a diplomatic protest.

At the cabinet meeting last Thursday the supreme commander was also exposed to a shower of questions from various members of Parliament regarding the reliability of the submarine report.

Great Similarities

The analysis group has determined that several factors point in the direction of the Soviet Union violating Swedish territory.

The general judgement is that there are major similarities between the events in Harsfjarden in 1982 and observations described in the new submarine report.

Sound recordings of propeller noises correspond; radio traffic, which this time is of less significance, however, has been listened to, and, further, there are photographs of bottom tracks within a very sensitive military area.

The difference between the bottom track from Harsfjarden in 1982 and the one described in the new submarine report is that this time there is no impression of the keel.

In 1982 the keel was considered essential to the determination that it was a Whiskey-class submarine.

Party Leaders Give Reactions

36500049 Stockholm DAGENS NYHETER
24 Dec 87 p 4

[Article by Ake Ekdahl and Kaa Eneberg: "Our Irritation Has Shown Through"]

[Text] The DAGENS NYHETER interview with Soviet Premier Nikolai Ryzhkov shows that submarine incursions have reached the table of the highest Soviet leadership. That is good, says Conservative leader Carl Bildt.

On 12 January he is to meet with Ryzhkov in connection with the latter's official visit to Stockholm. It is the first time the two will meet for direct talks.

Bildt and the other party leaders are invited to the government's welcome dinner for the Soviet guests on 11 January, and the following day has been set aside for talks between Ryzhkov and the leaders of the Swedish opposition parties.

Bildt says that he will take the opportunity to speak clearly and show that here in Sweden we have a certain "glasnost" in our security policy.

The Conservative leader is not surprised that the Soviet head of government flatly denies the submarine incursions against Sweden. It is in the nature of things for him

to do so. That is how major powers have acted throughout all times. Remember Milstein's words to Ambassador Anders Ferm in 1983: "We will never acknowledge any border violations, even if the evidence is unambiguous," the Conservative leader says in a comment.

Highest Level

Bildt stresses that what is so interesting about the Ryzhkov interview is not the information about the 30-kilometer security zone—that was known as early as 1982—but how clearly Ryzhkov reveals that the submarine issue has been discussed at the highest political level. The Swedish signals of irritation have shown through, in his opinion.

The Swedish defense forces have demonstrated certain proof that foreign underwater activity has taken place in inner Swedish waters, but that proof and other evidence will continue to be ignored by a major power such as the Soviet Union, Bildt emphasizes and reminds us of the neutrality year of 1942. At that time Sweden thought the proof was enough. Swedish ships were being sunk by foreign submarines in Swedish waters outside Vastervik. There was clear Russian text on the torpedo parts picked out of the wrecks and off of rocks. Faced with these pieces of evidence, the Russians rejected the accusations. Instead, the Soviet ambassador accused Sweden of fabricating evidence and of destroying the friendly relations between Sweden and the Soviet Union.

The Milstein referred to by Bildt is a former Soviet general and disarmament expert, who in a conversation with Ferm explained the Soviet view of the submarine incursions in Sweden. This was then written in a letter to Prime Minister Olof Palme which attracted much attention after Palme made part of the letter public on television but left out the sensitive passage now referred to by Bildt.

Strong Words

About a month after Palme's television appearance, and a year after the conversation with Ferm, Michail Milstein explained that Ambassador Ferm had misunderstood the statement. In an interview with TT, Milstein said regarding the so-called Ferm letter, that there are no Soviet submarines in Swedish waters. We therefore have nothing to admit and therefore will not admit it.

At that time the government discussed the possibility of using a back channel, a secret and discrete channel for talks, with the Russians about the submarine incidents. No such contacts are in the picture this time in order to convince the Russians that Sweden is serious and is not out to make propaganda. Instead, the prime minister and the foreign minister have underlined with expletives their dislike of the continued violations.

The Center Party member of the parliamentary Foreign Affairs Committee, Gunnel Jonang, has opinions similar to Bildt's. We know that no major power ever admits incursions, and there is nothing to do but regret that despite all the agreements designed to guarantee improved relations, there has not been more progress in confidence between the two countries, she says.

Disagreeable

The Center Party is fully supportive of the administration's position on the intruding power, but Jonang is critical of the "military," who she thinks ought to be a little more careful in its account of the violations.

"It clearly creates problems and a disagreeable situation when you explain that you have no proof but there are indications that the incursions come from a certain direction. After such an account, one can only conclude that now it is up to the administration to act."

Not even Stig Alemyr, Social Democratic chairman of the Foreign Affairs Committee, is surprised that the Soviet premier denies the incursions.

"You have the right to believe what you want, but we have no sure cards to present as proof. On that point nearly all parties on the committee agreed with the administration before Christmas," he emphasizes.

Improve

Alemyr says that personally he is convinced that the Soviet Union wants nothing more than to improve relations with Sweden, and he views Premier Ryzhkov's imminent visit as an important element in this development.

"The historically important development toward better relations between the major powers even includes little Sweden. It is urgent for a major power such as the Soviet Union to improve its neighborly contacts, whether this involves big or little neighbors," he says.

At the Foreign Ministry, Undersecretary for Foreign Affairs Pierre Schori declines comment on Ryzhkov's statements.

Army Commander Comments

36500049 Stockholm DAGENS NYHETER in Swedish
24 Dec 87 p 4

[Article by Anders Lundqvist and Fredrik Mellgren: "Soviet Leader Knows That Proof Is Missing"]

[Text] "Either the Soviet premier is certain that Soviet submarines are not operating in Swedish waters, or else he is certain that even if they are there they will never be

discovered." That reflection was put forward by former Army Chief Nils Skold, after he had read the interview with Nikolai Ryzhkov which was published in DAGENS NYHETER on Wednesday.

In the interview Ryzhkov categorically dismissed all accusations against the Soviet Union regarding submarine violations of Swedish waters.

"Bring out the evidence, if you have any. Then we can talk about the matter," Ryzhkov said.

Nils Skold, now an expert with the Defense Ministry, regards the Soviet premier's statement as interesting.

"If we actually were to obtain proof that Soviet submarine violations of Swedish waters occur, Ryzhkov's statement implies a tremendous burden for the Soviet Union. It can never be disregarded," Nils Skold said.

Standard Reply

"But he must be pretty certain that no evidence can be brought against the Soviet Union. Or will not be brought in the future, perhaps one should say," Skold says.

Christer Jonsson, assistant professor of political science at Lund University, is an expert on Soviet foreign policy. He finds nothing new or even startling in the interview with Ryzhkov.

"Ryzhkov's statements do not in any way deviate from the line that has prevailed all these years. For example, he counters the incursion accusations with the statement that certain circles in Sweden are conducting a campaign to damage relations between the two countries. That is the usual tactic."

Jonsson doesn't for a minute believe that it should be more difficult, riskier, for a person as highly placed as Ryzhkov to utter lies.

"No, but it should be remembered that there are two words for a lie in Russian. One stands for the philosophical lie and the other for the official one. This is likely to involve the official lie. The answers are given beforehand, which is something they steadfastly stick to until proven guilty."

"It is possibly so that Ryzhkov hasn't even become quite involved in the issue, that he really doesn't know, and is not very interested in, whether the Soviet Navy operates in Swedish waters. That he is reciting a standard answer without knowing any facts of the matter."

Kjell Goldman is professor of political science at Stockholm University and expert on international policy. He also does not react to anything Ryzhkov says.

"No, maybe it is possible to sense a different tone than the earlier official one. In spite of all, he is a little bothered and says, among other things, that it isn't all that nice to visit Sweden right after the supreme commander's report. I had not expected him to speak that freely."

"To admit an incursion would be a sensation. At his level it is not possible publicly to confirm such a matter. That is totally unreasonable."

"That is why the question of whether he is telling the truth or not is uninteresting. No matter which it is, he cannot do anything but deny the incursions."

Irritated

That Ryzhkov shouldn't even be acquainted with the matter is something Kjell Goldmann does not believe:

"If they care how the Soviet Union is perceived in Sweden it would be extraordinarily strange if the highest leadership has not become familiar with the basic facts about the incursions. And their external image seems to be more interesting to the Soviets than before."

Bo Hult, researcher and vice managing director of the Foreign Policy Institute, also reacts somewhat to Ryzhkov's intonation and choice of words in the DAGENS NYHETER article.

"It is not the usual cocky tone, that the Swedes are naive and only imagine things. Furthermore, he stresses a certain irritation, which could be a sign that he cares about relations with Sweden."

Additional Comments From Carlsson

36500049 Stockholm DAGENS NYHETER in Swedish
27 Dec 87 p 2

[Editorial]

[Text] The prime minister is beginning to gather steam on the submarine issue. He seems to have realized that silence is not doing the administration any good after the attention stirred up by the supreme commander's most recent 6-month summary of incursions on Swedish territory. The article on Christmas Eve under DAGENS NYHETER Debatt is welcome as yet another attempt at necessary definition by Ingvar Carlsson.

Not very much new material was presented, beyond what the prime minister said on the "Dagens Eko" program a few days ago. There are some obvious main points in the message he wants to hammer in:

—Violations occur, but there is "very great uncertainty" about their number. That could possibly be interpreted so that the administration does not accept all the evaluations by the military.

—Since no protest can be brought without evidence against any country, it is important to intensify the identification work. These are well-known government positions.

—The political price for incursion is to be raised. Does that, for example, mean that the administration is prepared to brand an intruder in front of the UN, no matter who it is?

—Finally, the idea is also to raise the military risks. Ingvar Carlsson now writes that the supervision which is to be undertaken by the supreme commander in order to increase the effectiveness of ASW protection also includes the "question of criteria for armed intervention." The meaning can only be one—the military could be given greater powers to resort to violence (for the purpose of sinking?) upon suspicion of foreign underwater activity. According to newspaper accounts, Ingvar Carlsson will ponder this during the Christmas holiday.

It is unclear whether the administration has found that factual reasons weigh heavily when it comes to changing the rules of the game or whether it, above all, wants to take the sting out of more or less peculiar statements on laxity against exposed intruders. The fact that there might also be talk of new resource allocations is a possibility which the prime minister conceals well.

Ingvar Carlsson says that immediately after the holidays he will invite the party leaders for talks about "how to handle the issue of foreign underwater activity politically." That must be seen as a laudable and desirable Swedish coordination before the visit by Soviet Premier Ryzhkov, the one who got ticked off.

The fact that in the midst of this sensitive phase there have been new negotiations with the Soviet Union regarding the territorial limit in the Baltic Sea, has been the cause of excited press commentaries. One must, after all, be able to assume that a Swedish government can actually sit down and discuss bilateral issues with Moscow without creating an image of submission.

Obviously, a counterpart could always be thought of as trying to lay traps. But there is concrete Swedish interest in a settlement, before the controversial portion of the Baltic Sea has been almost completely depleted of fish. Nothing is to be achieved by regarding such genuine interest as a weakness.

VPK Spokesman Backs Toughness

36500049 Stockholm DAGENS NYHETER in Swedish
28 Dec 87 p 9

[Article by Fredrik Mellgren: Carlsson Speaks Plain Language"]

[Text] Violating submarines should be sunk if they are in Swedish territorial waters. It is our natural right, and the Navy should have the power to use the armed measures necessary for it. These are the words of Oswald Soderqvist who is the VPK's [Left Party-Communists] spokesman on defense matters.

And he perceives Prime Minister Ingvar Carlsson as having said as much last week in several statements, among others that blood may flow during future submarine hunting in Swedish waters.

"Ingvar Carlsson expressed himself clearly, but in a sharper tone than before. If the submarine does not surface, it is to be sunk with the risk that blood may flow."

On the other hand, Oswald Soderqvist is surprised at Conservative leader Carl Bildt's action after the prime minister's submarine statements.

"From that direction they should welcome the administration's sharper tone. But instead of applauding, Carl Bildt talks about not knowing exactly what Ingvar Carlsson means. I don't understand Carl Bildt's motive in starting that kind of discussion, when the important thing should be a national rallying around how to act in order to put a halt to the incursions." Oswald Soderqvist says.

'Logical Conclusion'

Actually, there is no reason to change the present power for the armed forces. It says, among other things, in the IKFN [Armed Forces' Instructions for Intervention Against Violations of Peace and Neutrality] that the armed forces may resort to "armed force for the purpose of forcing the intruder to the surface."

"If the Navy to start with does not succeed in forcing the intruder to the surface, it follows quite logically that it must resort to stronger weapons which then can sink the submarine. And that can be done within the framework of the present instructions. But if it is necessary to alter IKFN, then I'm prepared to support that."

Soviet Premier Nikolai Ryzhkov has denied in several DAGENS NYHETER articles that Soviet submarines are violating Swedish waters.

Expected

"Nothing else can be expected from a representative of a major power. He cannot say anything other than that they respect our borders."

"But it is difficult to call him a liar. He expresses himself naturally and demands proof. And the supreme commander apparently cannot produce this proof."

"Violations are probably taking place by both superpowers. The supreme commander's report does not indicate who the intruders are, and so there is margin for accusing just the Soviet Union of the incursions. Ryzhkov is right, to some extent, that there are forces in Sweden which want relations to deteriorate between Sweden and the Soviet Union. And those forces, which exist in the

Swedish officers corps, among other places, obviously utilize the situation in order to reinforce the threat picture of the Soviet Union," in Oswald Soderqvist's opinion.

A good sign for relations between Sweden and the Soviet Union is nevertheless that Ryzhkov is coming for an official visit on 11 January.

"That shows that the highest leadership really cares about relations with Sweden," Soderqvist says.

11949

Forces Chief Denies Disagreement With Government Over Submarines

Regards Purposes of Intruders

36500066 Stockholm DAGENS NYHETER in Swedish
21 Jan 88 p 12

[Article by Anders Mellbourn: "Armed Forces Chief on Submarine Question. Politicians' Task To Decide Who Is Intruding"]

[Text] The commander in chief maintains his own opinion about the identity of those responsible for most of the submarine violations of Swedish waters. In a joint effort with the government he wants to reevaluate the purpose of the violations.

The commander in chief has full confidence in his own experts' analysis of the foreign submarine activities and fully shares their judgements.

In an interview with the DAGENS NYHETER, the commander in chief, Bengt Gustafsson, categorically denies that there are any disagreements between him, his experts or the military authorities and the government regarding the evaluation of the reports of the submarine violations. The working committee consisting of representatives for the prime minister, the foreign minister and the defense minister, which has been studying his data on the foreign underwater activity during the summer (see DN Jan 16-17), was established on his initiative and its only task was to see whether it would be possible to decide which nation is responsible for the foreign underwater activities.

"If the aim of DAGENS NYHETER's sources was to create doubts among the defense authorities about the position of the politicians on the submarine question, I believe them to have failed," says Bengt Gustafsson acidly, and points out that it is the actions of the politicians, the latest one ordering the commander in chief to come up with suggestions for concrete improvements in the defense against submarines that have been noted by the defense authorities.

Following the latest submarine report from the commander in chief shortly before Christmas, Prime Minister Ingvar Carlsson, on several occasions, has said that there is clear proof that underwater violations did occur, even though the nationality of the intruders cannot be determined.

"I view it as significant that the prime minister has so decidedly removed a certain feeling of uncertainty about the position of the political leadership, a feeling that perhaps especially existed among those employed by the defense who were working on this. There have been very few statements in this direction during the last couple of years," says the commander in chief.

According to information given to the DAGENS NYHETER by several central sources, the government working committee was critical of the efforts on the part of the commander in chief's analysis group to indicate the violating nation on the basis of the extent of the violations and a pattern of circumstantial evidence. Not a single link in the chain of circumstantial evidence was accepted by the working committee.

Bengt Gustafsson rejects DAGENS NYHETER's suggestions as to what the reasoning of the analysis group might have been in regard to the nationality of the intruders. He also maintains that the analysis group never suggested that the violations had increased:

"The actual extent of the violations is a moot question, yet the exact level is not the deciding factor. The problem is large enough anyway," he adds.

According to the DAGENS NYHETER's sources, the government working committee has not questioned any given number of confirmed violations, but it has maintained that the limited extent makes it impossible to discuss the patterns necessary for a determination of nationality.

The commander in chief also wants to deny that there is any risk that his submarine analysis group may have lost its critical edge and has been tempted to draw farfetched conclusions:

"The Navy personnel in the analysis group are gradually being replaced. Every year someone new is added. Last fall several new persons were added to the group. Navy officers have not been in the majority. This increase in personnel meant that more depth could be given to the investigations."

Among those who were added to the group, are an operations analyst from the Defense Research Institute (FOA) and a civilian lawyer. For the sake of their personal safety, he cannot reveal exactly who is a member of the analysis group which is a joint effort between the defense and the naval staff.

Unlike his predecessor, Lennart Ljung, Bengt Gustafsson feels that it is not the task of the military but the government to make judgements about the violating nation in connection with the submarine activities:

"Only politicians can decide if certain data constitute a basis for political actions."

That is why, when the data from his analysis group became more and more extensive and contained a basis for determining nationality, the commander in chief himself suggested to the government that those who were going to discuss the matter in the government offices should review all the data.

According to the commander in chief, the final report from the analysis group was completed even before the working committee was appointed at the end of November. No conclusions or figures were altered after the talks between the analysis group and the experts from the government.

What then did the working committee mean to the commander in chief?

"It was of value to me that more people could look at the data. However, I did not notice any great difference in the assessments compared to my own."

In his official report before Christmas, the commander in chief says that "it has not been possible to fully determine the nationality of the intruder." He feels that this assessment is entirely compatible with what he said in a noted interview on the radio show "Good Morning World" some weeks earlier:

"I said that various hypotheses existed and that I personally was fairly sure which power was responsible for the major part of the violations. However, it is one thing to form your own opinion in order to direct your activities. What is needed for political action is another. That is what the debate is all about."

Officially the analysis by the Submarine Defense Commission of 1983 is still valid: that the purpose of the violations is war preparations against Sweden. This is why Bengt Gustafsson would like to get a new joint effort started between the government and the defense authorities in order to determine all the possible political and military purposes that might lie behind the violations.

Paper Comments on Remarks

36500066 Stockholm DAGENS NYHETER in Swedish
21 Jan 88 p 2

[Editorial: "Armed Forces Chief and the Submarine Policy"]

[Text] It seems reasonably clear that the question about the underwater violations took on a new aspect at the end of last year. The commander in chief's experts felt

that observations during the summer showed a pattern which made it possible to identify the nationality of the intruder. The government's experts found no such pattern, consequently the government did not name a guilty party.

How this situation arose has been illustrated by some DAGENS NYHETER articles. A possible drastic conclusion is that Sweden this time actually would have indicated the Soviet Union as responsible for at least a major part of the observed violations, if the government had accepted the judgement made by the commander-in-chief's analysis group. The SVENSKA DAGBLADET, among others, has reasoned that the government saw an approaching danger in the reports from the military experts and that is why it appointed its own experts in order to "put the lid on."

In an interview in today's paper, however, Gen Bengt Gustafsson maintains that he himself suggested that the government should study the matter. This was done in accordance with the opinion of the current commander in chief that judgements of who is the intruding nation should be made by the government not the military.

The reasoning sounds unassuming—the military stick to their turf and let the government handle politics. Actually, however, Gen Gustafsson reasons much more politically than is generally observed. It is apparent from his own statements that the object of his demand for a special government working committee was that the prime minister should remove "a certain feeling of uncertainty about the position of the political leadership" in the minds of those employed in the defense. It was evidently a question of getting the government to admit that violations had occurred.

What does it mean then that the views of the commander in chief have not changed after the report from the working committee. The general wants to separate the assessment needed "to direct ones activities" and the one needed "for political action." This is where we find a major problem—is it possible in the long run to direct ones activities in one way and the political actions in another? A government probably has to base its policy on what it actually believes, even if it lacks the proofs needed to initiate diplomatic action.

The commander in chief wants the government and himself to determine the political and military objectives which might lie behind the violations, in order possibly to reach "common evaluations." It sounds as though the old formula of the Submarine Defense Commission has served its time. And above all, it sounds as though the intent was no longer to separate the opinion of an apolitical commander in chief and the political actions of the government.

Defense Credibility Seen Damaged

36500066 Stockholm DAGENS NYHETER in Swedish
27 Jan 88 p 2

[Editorial: "On the Submarine Front"]

[Text] According to the defense minister, Roine Carlsson, no new factors have appeared on the submarine front to warrant questioning the determination of the Submarine Defense Commission of 1983.

Conservative Party member, Gunnar Hokmark, hardly paid attention to this stand by the government during the interpellation debate last Monday. He wanted to establish that the former armed forces chief, Nils Skold, by repeating "as groundless" dismissed rumors, has not only cast suspicions on the basis for the Swedish diplomatic protest to the Soviet Union in 1983, but has lessened the credibility of those who, before Christmas, wanted to determine the nationality of last years violations and tried to repudiate the governments foreign policy.

Hokmark dwelled especially on the timing of Skold's statements in the DAGENS INDUSTRI and on the report that they were made in agreement with the defense minister. We would also be happy to listen to what Nils Skold himself has to say concerning the current spreading of rumors about his memoirs—in anticipation of further objective debate.

Liberals: Improve ASW Submarine

36500066 Stockholm DAGENS NYHETER in Swedish
29 Jan 88 p 12

[Article by Sven Svensson: "Liberals Demand New Type: Sub 90 too Expensive"]

[Exerpts] In a defense bill signed by Hans Lindblad, the Liberal Party suggests that we should skip a generation of submarines and build Sub 2000 as soon as possible. [passage omitted]

The subs play an important role in the submarine hunt. Through passive listening, they can locate foreign underwater vessels at great distances.

The Liberal Party wants to show that the deterrent effect would increase if the submarines of the future not only were used as reconnaissance units but in special cases also could be used as armed units against intruders. So far underwater actions have been considered too dangerous to the lives of Swedish soldiers.

The defense resolution last year, backed by the Social Democrats and the Liberal Party, means that the number of submarines will increase from 12 to 14 and that they are to be permanently commissioned, however, delays and increases in costs are threatening this program.

The increase to 14 submarines presupposes first that Sub 90 can be delivered on time, then that the life of two or three submarines in the current Sea Serpent series can be extended.

It has now become apparent that the project, Sub 90, which is an improvement on the sub "Vastergotland", will be more expensive than estimated, despite assurances to the contrary during the defense negotiations, and that a delay of at least a year cannot be avoided.

Therefore it is necessary to reevaluate the submarine question so that 14 units can be achieved as quickly as possible.

Considering this new situation, it is doubtful whether it is worthwhile to modernize submarines of the "Vastergotland" type at great cost into Sub 90 in order to replace four of the oldest submarines of the "Draken" class.

According to the Liberal Party, the question is whether it would be better to skip Sub 90 and instead put the efforts directly into Sub 2000 the same way as the JAS-decision was made about a new Swedish warplane at one time.

The Liberal Party believes that by advancing the Sub 2000, it would be possible to utilize new technology and at the same time to construct smaller and less expensive submarines.

The order received by Kockums from Australia proves that Sweden has the technological capacity in the area. On the other hand, the Liberal Party believes that Kockums and the Karlskrona shipyard, which both belong to the state-owned shipyard company, Celsius, must be merged. Celsius has recently warned about lay-offs.

12339

Military Personnel Ordered To Report Espionage Acts

36500067b Stockholm DAGENS NYHETER in Swedish
29 Jan 88 p 6

[Article by Anders Ohman: "Door-to-Door Salesmen Being Scrutinized"]

[Text] The armed forces are increasing the checking of door-to-door salesmen suspected of looking at key military personnel on behalf of foreign powers.

Physical description, nationality, time of day, and sales pitch are to be noted for further investigative work by the Swedish security service. Suspected cases of espionage will be referred to the Security Police, SAPO, for further investigation.

The security division of the office of the Supreme Commander of the Armed Forces has issued directives to armed forces personnel throughout the entire country.

In an open appendix to an otherwise secret directive, it is recommended that those visited note precisely the time, the number of salesmen, physical description, nationality, the state reason for the activity, and what is being offered for sale.

Two units in Skane, P7 and Lv4 in Ystad, have already followed the Supreme Commander's recommendations and urged their staffs to collect information about door-to-door salesmen who may call.

12789/9738

Armed Forces Chief Lauds Women's Performance in Services

36500067a Stockholm DAGENS NYHETER in Swedish
21 Jan 88 p 18

[Article by Anders Ohman: "'They Contribute to Good Style and Spirit'; Supreme Commander of the Armed Forces Praises Women"]

[Text] Women in the armed forces have received praise from Bengt Gustafsson, the supreme commander of the armed forces (OB). They have a positive effect on style, the environment and training level. By affecting the attitudes and values of men in the military, women in the armed forces will create a better working environment.

The OB opposes Robert Lugn, the chief of the National Home Guard, and does not want to put women in combat positions in the Gotland home guard. Instead they will be recruited for staff and supply service.

In a report to the government, the OB suggests several measures for improving and developing prospects for women within the armed forces. Attitudes and values will be given further attention. Information about the professional officer will be improved. An effort will be made to bring women into groups.

"Unfair Army"

The experiences women have had in voluntary basic training have mostly been positive in all three branches of the armed forces. The criticism has been the most severe from the Army, where women found "male officers' attitudes to be harsh and unfair." This was the case in the artillery and engineer units, where recruitment was halted owing to a high attrition rate.

In the OB's report, women get high marks where the qualitative result is evaluated. Women blend in well with the environment and contribute to "good style and

spirit," a traditional military virtue. A woman in a unit has a positive effect on the results of training since they are frequently more motivated than draftees. They have entered military service voluntarily. Draftees do not want to be worse than women either.

No Difference

For the most part, women achieve the same or a better result on theoretical and general military parts of training. With physically demanding activity they do poorly, particularly on longer exercises. Many units say there is no difference between male and female soldiers.

On subjects of a theoretical nature, women often place in the upper half of the grade scale. On the technical side they are comparatively weaker.

The first female second lieutenants graduated in 1983. One hundred twenty-four women, 989 of whom were second lieutenants, 18 first lieutenants, and 8 captains, have come from the officers' academy. Most are serving in the Air Force. The OB report emphasizes that its experience with women as professional officers is still limited.

In military school, women work well as instructors. They are competent, well educated, and have a positive attitude towards their role as trainers. In exercises, women have given evidence of very good mental stability and strength.

Not Fighter Pilots

In the OB report, the National Defense Research Institute, FOA, says that differences in the physical capacity for work between men and women will not prevent women from being able to reach all military professional fields.

Women will not become fighter pilots. An active fighter pilot's time is short and coincides with a woman's period of fertility. Pregnancies can shorten the period of active flying and raise costs.

The OB believes that, overall, the number of women who have applied to the military is small. There have been many dropouts during basic training, particularly in the Army.

Women are considered particularly suited as military interrogators and the OB will look into recruiting women for the armed forces' interpreters school.

12789/9738

EUROPEAN AFFAIRS

EC's De Clercq on Relations With CEMA

36140012 Brussels KNACK in Dutch
27 Jan 88 pp 76-80

[Article and interview with EC Commissioner Willy de Clercq, by Jan Vermeersch: "Pulling Down the Iron Curtain?"; first paragraph is introduction]

[Text] Interview with EC Commissioner Willy de Clercq on attempts at rapprochement, at least in the area of trade, between CEMA and the European Community.

It is nothing new to call the absence of a large level of trade between Eastern and Western Europe an anachronism. The figures do not lie. Only seven percent of the European Community's foreign trade is with Eastern Europe; if one subtracts German-German trade from this, the figure is practically negligible.

And yet, this situation may be changing. Talks have begun between the European Community and CEMA—the Council for Mutual Economic Assistance, primarily the countries of the Warsaw Pact—that should lead to the normalization of relations. In addition, separate accords with East European countries are in the making. This means a great deal of work for Willy de Clercq, 60, EC commissioner for foreign relations and trade policy since 1985.

The reason that there is so little trade with Eastern Europe is well-known. Political obstacles have been legion, on both sides of the fence. However, the primacy of politics has been undermined in recent times, and Eastern Europe is emerging as a potential market, a region of the world that is still commercially underdeveloped, where Western business could perhaps regain part of its lost dynamism.

In the meantime, the East is not saying no. The USSR is currently headed by a man, Mikhail Gorbachev, who understands the signs of the time. Technologically, the USSR is declining, and so it is becoming better friends with the West. Only 2 months after he came to power, Gorbachev argued in favor of normalized relations between the European Community and CEMA. Nearly 3 years later, an accord appears to be on the way. Following a recent colloquium at the University of Ghent on relations between the European Community and Eastern Europe, we spoke with Willy de Clercq, the leading negotiator with CEMA.

Willy de Clercq: We have a parallel approach: Talk with CEMA on the one hand, and negotiate with the individual European member-states of CEMA on the other hand, namely with the USSR, Poland, the GDR, Hungary, Bulgaria, Czechoslovakia and Romania. The goal is normalization, of course, but especially economic normalization with the individual East European countries.

Because understand this: We are not talking with CEMA as such about trade. In fact, we have never wanted to do that; that is perhaps part of the reason that talks stayed at a dead end for 11 years, until 1985. CEMA demanded that there be bilateral contacts between the European Community and East European countries within the framework of CEMA. But that was not possible, for two reasons. First, CEMA as an organization is not comparable to the European Community. CEMA is simply a cooperative association. It has no authority in matters of trade policy and thus does not have the instruments to pursue that policy. Things are different in the Community. A concrete example: If we, the Twelve, promulgate restrictive measures against dishonest trade practices, such as dumping by foreign producers, then it is the European Commission that is acting. It submits a proposal that is or is not approved by the European Council of Ministers. The Commission, in other words, has the authority to conclude accords pertaining to trade and cooperation. CEMA does not have any comparable authority.

And secondly, there is a political reason why we do not talk about trade with CEMA. I mean the leadership of the USSR. We do not want the other countries of Eastern Europe to have to continue to submit to this domination. Now that some of them are charting their own economic course, it seems scarcely proper to once again confront these countries with the power of the USSR.

KNACK: This is why you said at the Ghent colloquium that the Community does not favor a "bloc-to-bloc approach."

De Clercq: Exactly. We are talking about a ceremonious joint declaration, meaning mutual recognition, but we prefer bilateral accords. One cannot happen without the other, we do know that, but that does not keep progress from being made on the bilateral level. Accords are currently in the making with Hungary, Romania and Czechoslovakia.

Perestroika

KNACK: Why have the negotiations on a joint declaration gained momentum of late? A question of interests?

De Clercq: Well, they are really in much more of a hurry than we are. But we too are interested in seeing their economic experiments succeed. I said that in so many words during the colloquium. East-West trade is facing important challenges. Various East European countries are steering towards a more pragmatic economic policy, and the question is whether this perestroika is taking place soon enough to overcome the years of inertia and to put the wasted talents and capacities to use.

Everyone knows that the situation in Eastern Europe is not fantastic, in economic terms at least. In Romania, the situation is, quite frankly, dramatic, in Poland it is very bad, in the GDR better, in the USSR somewhat

better but not overwhelmingly so—so something has got to happen. Soviet party leader Gorbachev realizes this. He gave the green light to these negotiations with CEMA. It seems to me that he is in favor of an economic policy that does not fundamentally diverge from socialist doctrine, but does include important relaxations, structural adjustments and flexibility.

Our interest in this? We should not expect any miracles. Perhaps the fruits of this operation will only be reaped in the medium term, in view of the fact that so much remains to be done on their side. We, the Twelve, conduct seven percent of our trade with Eastern Europe. That is not very much, especially if you consider that the EFTA countries (Austria, Finland, Iceland, Norway, Sweden and Switzerland), with a population of nearly 30 million people, constitute 25 percent of our trade. But sure, there are various factors to explain why the level of trade with Eastern Europe is so ridiculously low.

First of all, there is the debt problem. The total net debt of the East European countries last year came to a hundred billion dollars. That is a lot, and the trend is moreover an upward one. Needless to say, a shortage of hard currency hampers imports by those countries. Secondly, the East European countries are struggling with a disadvantageous trade structure. Their export products not only have little added value, they are sometimes of questionable quality and thus not consumable in the West. Add to this the fact that their abilities in marketing leave much to be desired and that service—the follow-up—is lacking. It is, in short, a problem of entrepreneurial and market culture.

All of these “classical” factors weigh down on the small flow of trade to the West. Macroeconomic factors have further intensified the declining trend, namely the drop in oil prices and the fall of the dollar. Because oil prices are expressed in dollars, East European earnings have dropped sharply, with all the consequences of that for imports.

Still, the classical factors are preponderant, since a new increase in oil prices cannot be ruled out, and in that case their earnings will go back up. But in terms of the traditional shortcomings of the East European economies, a great deal will depend on perestroika, and its degree of success remains to be seen.

KNACK: The colloquium in Ghent did not tell us much about that. With the exception of the Hungarians, the East European representatives limited themselves to a synopsis of changes in “economic” legislation.

De Clercq: Don't forget that this was an academic conference. But it is true that the Hungarians spoke in more concrete terms. They are beyond the academic stage. Their perestroika has been under way for many years, and you can see that from their mentality, their timing as well as from their results. They are eager for a trade agreement with the Community, while other East

European countries are instead insisting on a joint EC-CEMA declaration. For Budapest, the accord on trade and cooperation cannot be concluded soon enough. So that is what we are working on.

KNACK: This joint declaration has in fact been long in coming. After a similar conference in Venice, last spring, the secretary-general of CEMA, Sychov, was rather optimistic. You talked to Sychov in Ghent and in Venice, but there is still no accord. Why is that?

De Clercq: Well, there are problems. I will make no bones about that. They are rather greedy, and demanding too. Moreover—and here I am referring to the Community—some member-states prove to be hesitant once the discussions get off the ground, and then the nice declarations count for nothing. We are negotiating on behalf of the Community, that is important to note. The European Council of Ministers ratifies that which the Commission has negotiated, and so we must remain within the limits of the feasible. Fortunately, Community approval does not depend on a unanimous decision; all that is needed is a qualified majority, so that the negative position of one or even two member-states can be neutralized. But once again, CEMA does not have that sort of communal authority.

KNACK: The principal obstacle is the question of Berlin. The Community demands adoption of the clause to the effect that as far as the Community is concerning the declaration is applicable to all areas in which the EC treaties are valid. This clause has been part of all accords that the Community has thus far concluded with non-EC countries. The USSR is opposed to this. According to the EC treaties, the territory of West Berlin is an integral part of the Community, and the Soviet government considers this to be in conflict with the accord of 3 September 1971 between the three victors in the Second World War (USSR, United States, Great Britain and France) concerning the status of Berlin.

De Clercq: That is correct. But “Berlin” is not an obstacle to separate accords with the East European countries. Both the trade agreement with Romania and the sector agreements with Poland, Bulgaria, Hungary and the GDR contain this territorial clause. Naturally, in the margin of these agreements there is always a unilateral declaration made by the East European countries saying “that this clause is in no way prejudicial to existing accords concerning Berlin.” That is the so-called “Hungarian formula.” But this does not hurt us. Those countries have every right to do that. And we are not aiming to modify the statute on Berlin (laughs).

The joint declaration is a different matter. It is true that CEMA objected to the territorial clause from the very outset. They had to. It is their right, of course, but we felt that continuing to talk under those circumstances was useless, and so a suitable formula for that problem was sought. I had a positive exchange of ideas about that with Sychov in Ghent. The positions have been clarified, but

a formal counterproposal has not yet been put forward. We do wish to insert certain other clauses. So it will be a while before we will be able to talk about a breakthrough.

Signal

KNACK: What kind of impact do you expect from this joint declaration?

De Clercq: Very little, in economic terms. I repeat: Trade agreements are under the authority of the Community and the individual East European countries. It does involve an important political signal. This type of declaration of principles can lay the foundation for cooperative agreements concerning the exchange of economic and scientific information—to mention only one aspect.

I hope that we can resolve this question in the first half of this year. That should be possible under the German chairmanship of the Community. If it does not happen, then I doubt whether we will have the joint declaration ready before the end of 1988. In other words, before the end of my term as EC commissioner. I would like to see this job completed. I won't hide that fact.

KNACK: Another point. SP member of Parliament Frank Vandenbroucke estimated last summer in this publication that if Belgian exports to Eastern Europe were proportionately equivalent to those from the FRG, not including the German-German trade, then 25,000 new jobs would be created.

De Clercq: That seems a little high to me. But OK, it does demonstrate the importance of this. This is not an academic exercise. It's worth the trouble, in the long run. My position is that there are two major potential markets left in the world: Asia, or let's say the "Pacific"—China, Australia—and Eastern Europe. The rest of the world market is saturated. Just look at the figures. We realize a flow of trade with the United States of \$135 billion. We have reached a ceiling there. In contrast, the Community conducts only one percent of its foreign trade with China, even less with South Korea. You know the figure for Eastern Europe, seven percent, while the USSR means a potential market of 260 million people.

You must keep in mind that new markets are fought over. Take South Korea. That country constitutes a threat to the Twelve. As of January 1988, the Community revoked South Korea's preferential status, as a warning, since that country—just like Japan, by the way—continues to close off its market. Furthermore, the Community is discriminated against. Seoul passed a law that favors the United States in terms of intellectual property, patents and authorship rights. We won't accept that. The Community is promised "equivalent if not equal treatment," but nothing comes of it. That is the reason for our decision.

An increase in the flow of trade to Eastern Europe is an alternative in that regard as well.

KNACK: Do West European manufacturers share that sentiment?

De Clercq: Interest in Eastern Europe is still limited. But it is growing. In Ghent, Umberto Agnelli and Andre Leysen—not exactly young upstarts—were at the conference table, and a number of industrialists were also in the room. Give this operation some time. Did you know that until recently the secretary-general of CEMA, Sychov, had never seen a European commissioner?

12271

DENMARK/GREENLAND

Greenland Government's Funds Shortage Stirs Rancor

Home Rule Government Criticized

36130041 Copenhagen BERLINGSKE TIDENDE
in Danish 3 Jan 88 Sect II p 2

[Article by Jorn Mikkelsen]

[Text] Officials within the Greenland home rule government are at present struggling to maintain a budget in which deep cracks have begun to appear. There has been such an accumulation of instruments of debt in the secretariat on Gammel Skibshavnsvej in Nuuk/Godthab as to make the year 1988 the year of reckoning for the home rule government in several respects.

There are considerable problems. The debt of the home rule government at the turn of the year was 966 million kroner. The total borrowing requirements for 1988 will amount to approximately 1.4 billion kroner. Adjusted to Danish conditions, this would be equivalent to an amount of 140 billion kroner to be raised in the loan market this year for the Danish treasury by Minister of Finance Palle Simonsen.

Emil Abelsen, minister of economic affairs of the Greenland home rule government, will be faced with a similarly difficult task. The bills from 1987 will have to be paid with funds which would otherwise be channeled into the 1988 budget, and loans and mortgages will have to be arranged for the remainder of the year in order to maintain the budget for the 50,000 Greenlanders.

The background to the liquidity crisis is an ambitious investment program for the fishing industry. The objective is for Greenland itself to be in a position to fish and to process the quantities of fish that will be allowed under the quotas after the agreement with the EC expires at the end of 1989.

Already at this point, marked results are visible:

From 1984, the last year of South-Danish "rule," until 1987, the turnover of the fishing industry trebled (from 419 million kroner to 1.2 billion kroner). In 1988, the

turnover is expected to increase further to 1.7 billion kroner. At the same time, the employment rate has doubled to 3,000 employees.

In order to reach that level, 1 billion kroner have been invested so far in trawlers and factory plants. The funds have been obtained from the treasury of the Greenland home rule government, whereas the home rule government has refrained from raising loans to finance the ambitious program.

The repercussions are now becoming apparent. All of a sudden, huge amounts of money will have to be provided at a very fast rate. The word "overinvestment" is being whispered rather loudly in wide circles in Greenland and in Denmark. The fact that large investments were made before any financing had been arranged is also being criticized.

Fumbling Blindly

However, the investment rate is apparently not the only plausible explanation for the difficult state of affairs.

In mid-November, a team of officials from the Ministry of Finance in Copenhagen paid a visit to Nuuk with a view to examining more closely the liquidity problems. One of the conclusions drawn by the officials was that "major problems of communication" exist between the various departments of the home rule government. For example, the department of economic affairs is unable to obtain information from the department of the industries and trades on current operations, liquidity, or on the economic situation in applications and proposed bills. Nor is the chief accountant of the department of economic affairs allowed to contact chief economists within the various enterprises.

The officials from Copenhagen concluded that, as a result, "the entire administration takes place more or less blindly and without any comprehensive view of the borrowing and lending operations."

The unemployment benefit system, which did not materialize after all, is an example of the lack of a comprehensive view. In the spring of 1986, the Greenland Parliament decided to introduce a system of daily benefits to the unemployed. All of the major cities were to be granted unemployment funds, and the construction costs alone were estimated at 40 million kroner. By the time the home rule government realized that it actually could not afford a system of daily unemployment benefits, the premises for six unemployment funds had been constructed. In the fall of 1987, the Greenland Parliament decided to drop the entire project. The buildings will now have to be rented or sold.

Mortgaged

One would think that a comprehensive view would be a prerequisite for controlling the many loan commitments.

The home rule government owes each of the two Greenland banks, Nuna Bank and the Greenland Bank, 100 million kroner. The loans of the said banks have been secured on the 215 million kroner paid annually by the EC for the right to fish in Greenland waters. The money was to have been paid by the end of the year, but due to the EC's budget crisis, a postponement was granted until 29 February. It is still unclear what will happen if the EC ministers have not yet managed to work out a budget by that time.

In addition, the home rule government owes the Danish state at least 350 million kroner after the takeover of GTO, the Greenland Technological Organization. Under an informal agreement, however, these funds may be obtained from the block grants of the Danish state of approximately 700 million kroner for the first half of 1988. Right before the Christmas recess of the Folketing, the law was changed to the effect that the block grants may be paid once every 6 months instead of monthly.

Finally, Royal Greenland has obtained a loan of 240 million kroner from the Aalborg branch of the Bank of Commerce. Moses Olsen, former minister of industries and trades, made the arrangement. He failed to brief the Greenland government and was fired as a result. Officially, he is on sick leave. Half the loan was to have been repaid at the turn of the year, but the home rule government has obtained a postponement until 1 July.

The home rule government has also obtained a loan from the First-Mortgage Credit Institute Denmark in the amount of 148 million kroner. Under a special regulation of the Danish Ministry of Housing, the loan has been secured on a number of public buildings as well as a power plant.

New Loans

To repay these loans and to enable the Greenland economy to function throughout 1988, the home rule government will have to obtain additional loans totaling 1.4 billion kroner.

There are contradictory statements on the success of the officials on Gammel Skibshavnsvej in these endeavors. According to treasury chief Klaus Steen Winkel, additional loan offers have been requested from the First-Mortgage Credit Institute Denmark, the Real Estate Credit Fund of the Building Sector, and New Credit totaling 470 million kroner. Department chief Per Krage of the First-Mortgage Credit Institute Denmark states, however, that they are still awaiting a move from Nuuk.

The home rule government is willing to secure the loans of the first-mortgage credit institutes on airport buildings, trawlers, warehouses, factories, and shops. "We have quite a few assets in this country with which loans may be secured," states Klaus Steen Winkel.

Originally, the First-Mortgage Credit Institute Denmark had indicated its willingness to grant the loan of approximately 600 million kroner by itself. Following the bankruptcy of the C&C Bank and the difficulties in conjunction with the shares in Illum, the board of the First-Mortgage Credit Institute Denmark stated, however, that the task would have to be undertaken by all three first-mortgage credit institutes. Department chief Per Krage, of the First-Mortgage Credit Institute Denmark, denies any connection to these things.

"The commitment is too large for us alone. Adjusted to Danish conditions, it is a question of 600 billion kroner in Greenland," says Per Krage.

However, the largest loans will have to be obtained abroad. A representative of the Japanese Yamaichi Bank has been to Greenland to discuss the possibilities. The negotiations were cut off, one of the reasons being that the Japanese demanded extraordinarily high interest rates for their loans.

It is still not clear whether a loan consortium has been set up. According to Emil Abelsen, who is politically responsible, a consortium has been set up comprising "the major Danish banks." On the other hand, Klaus Steen Winkel, treasury chief, states that the consortium has not yet been set up.

He repudiates criticism to the effect that the home rule government is only now starting to look into the possibilities of borrowing, even if the Greenland banks pointed out more than 12 months ago that it would become necessary.

"We have to settle the matter of the budget before we can provide a list of our borrowing needs."

Power Struggle

To put it mildly, the discussion reflects the tense atmosphere existing between the two Greenland banks and the department of economic affairs, the economists of the home rule government itself.

The parties are attempting individually to control the flow of money within the Greenland society and to obtain the possibility of controlling economic development. The power struggle occurs right in the middle of the constant disagreement as to whether the Greenland economy will be further centralized or, on the contrary, decentralized.

Internally the department of economic affairs has stated expressly that it will not allow the banks to participate in the loan consortium. The claim has been made that the banks have a "basic lack of confidence in the financial

situation of the home rule government." It would therefore give rise to problems of credibility for the banks to represent the home rule government in loan negotiations with foreign banks, the department of economic affairs stated.

The cold atmosphere last autumn caused the banks to reject granting the home rule government loans in the amount of 600 million kroner. The rejection was made following relatively clear indications from Ole Thomsen, central bank director, Copenhagen. ("The banks would have problems with the supervisory board of banks and savings banks should they lend such large amounts to a single customer.")

The banks would grant only 100 million kroner each. Conditions for granting the loans were made which were unacceptable according to the department of economic affairs. The home rule government, for example, has undertaken in writing to float loans directed by the banks to the extent stipulated by the banks and on the terms they offer. The department of economic affairs states that the home rule government has thus committed itself in "a most extraordinary way for a public authority."

Jorgen Ulriksen, bank director, Nuna Bank, makes only the following comment: "I do not find that the terms of the loan agreement differ in any way from normal terms. The language will presumably always be objectionable to some people."

Klaus Steen Winkel, chief of the department of economic affairs, declines to go into the criticism submitted in writing to the home rule government.

Criticism of Banks

Last November, the officials of the Danish Ministry of Finance also dealt with the tense relations between the banks and the home rule government.

"It seems difficult to discern any regard for the interests of the home rule government in the advice that appears to emanate from the banks," it said in the conclusion.

Jorgen Ulriksen, bank director, Nuna Bank, declines to comment on the above.

It remains uncertain whether Greenland Prime Minister Jonathan Motzfeldt had all of these details in mind when he gave his New Year's speech on Friday night. However, he said, among other things:

"One cannot go through a year such as 1987 without thinking that among us is a group of persons who act and speak in such a way as to make one think that they actually expect the whole economy to collapse. That they are awaiting the opportunity to state: 'I have already told you.' We all ought to contribute to belying these critics of our social order and of the things happening in Greenland during these years."

Overly Ambitious Investment Program
36130041 Copenhagen BERLINGSKE TIDENDE
in Danish 3 Jan 88 Sect 1 p 6

[Article by Jorn Mikkelsen]

[Text] The cooperation among the various departments of the Greenland home rule government is extremely difficult. As a result, the administration of the economy is taking place blindly, the Danish Ministry of Finance states.

The administration of the Greenland economy, which is experiencing considerable difficulty, is taking place more or less blindly, without any comprehensive view of the total borrowing and lending situation.

These were the conclusions drawn by a team of experts from the Danish Ministry of Finance that visited Nuuk-/Godthab in mid-November with a view to evaluating the extremely strained economy of the home rule government. At the end of 1987, the home rule government had a deficit of 966 million kroner. The borrowing needs for 1988 will amount to approximately 1.4 billion kroner.

A confidential statement from the Danish Ministry of Finance says regarding the lack of control:

"Marked problems of communication exist among the various departments of the Greenland home rule government. This applies in particular to the relations between the department of economic affairs and the department of industries and trades. The department of economic affairs is thus unable to obtain any information on operations, either on the current operations and the liquidity situation or on the economy in applications and proposed bills."

The statement goes on to say that the chief accountant of the department of economic affairs, for example, is not permitted on his own to contact the accountants of the various enterprises. The result is that the total view of the home rule government of the economy becomes limited.

Klaus Steen Winkel, economic chief of the home rule government, declines any comment on the statement from the Danish Ministry of Finance.

"It should be kept in mind that we have taken over many things from Denmark within a short number of years. That is bound to result in several problems," says Klaus Steen Winkel.

A loan consortium will now obtain first-mortgage credit loans in Denmark as well as bank loans abroad to cover the deficit. The problems of liquidity are due to an

ambitious investment program for the fishing industry intended to enable Greenland to manage on its own once the fishery agreement with the EC expires on 1 January 1990.

7262/6091

FEDERAL REPUBLIC OF GERMANY

Institute Studies Feasibility of Raising VAT To Finance EC

36200064a Duesseldorf HANDELSBLATT in German
3 Feb 88 p 8

[Text] The Federal Government intends to largely reverse the tax relief provided for in the 1990 tax reform act by raising taxes on consumption. These latter are to help finance the EC. German tax payers are the chief generators of money for the EC. According to a study by the Karl-Brauer Institute of the Taxpayers' Federation, such a proposal is bound to arouse national resistance to taxation. EC spending has leaped from DM4.2 billion in 1968 to roughly DM78 billion in 1987. In other words, it has risen 19-fold.

In the same period of time, federal expenditure "only" rose 3.5-fold. At DM51.5 billion, spending on European farm policy accounts for about two thirds of total EC expenditure. The so-called "price and market regulation policy" swallows 96 percent of that amount.

Such "market regulations" have been set up for almost all important farm products in order to guarantee farmers an "adequate income." Price and sales risks are excluded thereby, and the result is a greater incentive to produce. The demand for farm produce is reduced by excessive prices.

The sharp rise in EC spending is proceeding at the expense of taxpayers in the member countries. The EC finances its spending from moneys paid by the member countries.

Additional Tax Burden on Member Countries

Some of these moneys are taxes on imports passed on to the EC. However, most EC contributions are derived from the member countries' budgets. The institute says that "this correspondingly reduces the total money available to the member countries. Since national spending is not normally cut back to the equivalent extent, the expansion in EC spending ultimately results in an additional increase in the burden carried by the member countries. Consequently the already high taxation in the domestic sphere is driven upward even more."

Currently the Community's revenues from the value added tax yield of the various member countries represent the main source of EC income. In 1987 these revenues amounted to about DM50 billion, roughly two-thirds of total EC income. Another important source

are revenues arising from levies payable on imports from the world market. These are on the one hand duties charged generally on imports to the EC, on the other taxes designed to raise prices of farm imports to EC price levels, the so-called "price adjustment levies."

With effect from 1 January 1986, the EC's maximum rate of benefit from the basis for determination of the value added tax was fixed at 1.4 percent. In other words, the financing potential was raised by 40 percent. Created also was the potential for another rise (to 1.6 percent) in the share of the value added tax as of 1 January 1988.

Taxpayers in the Federal Republic are particularly affected by the increasing pressure to finance the EC. The fact is that the Federal Government makes the greatest financial contribution of all member countries. At about 27 percent, it currently produces more than 25 percent of EC revenues—about DM20.5 billion in 1987. Most of this amount was derived from the value added tax. The EC budget plan estimated 1987 German value added tax payments at almost DM14 billion or roughly 68 percent of payments to the EC. The burden on the German taxpayer threatens to grow by several billion more DM in the years to come. The Federal Government is planning to raise consumer taxes up to 6 billion in order to balance eventual larger contributions to the EC treasury.

Ineffectual Attempts To Limit Spending

In order to settle EC budget problems, the Brussels Commission looks mainly to a sharp rise in EC revenues. The Commission proposes in future to levy 1.4 percent of the member countries' gross national product. This would yield to Brussels about 25 percent more revenues.

The institute admits that many attempts at limiting expenditures have been made. These are assessed as follows:

—"Coresponsibility tax": Excess production of all kinds of commodities is to be restrained by a "penal levy" that will not affect consumer prices. This tax is producing numerous bureaucrats in Brussels but has been proven ineffective in every other respect.

—Quota provisions: These are administrative restrictions on production volumes in order to stabilize incomes and avoid surpluses. However, for political reasons these quotas were pitched far too high and usually not even observed, because the penalties for exceeding them were much too slight.

—Stabilizers: They are designed to ensure that market regulation taxes will grow annually by no more than a rate of increase to be predetermined. If the target looks like being exceeded, it is intended to quickly and flexibly counteract surpluses, in particular by way of restrictions on the purchase of farm produce at guaranteed prices. Guarantee prices are to be reduced, coresponsibility

taxes raised, subsidies cut or support payments discontinued. Yet, due to various compromises, the necessary detailed regulations are ineffective here also, because they are too vague and their terms too generous.

—Removal of acreage from cultivation: Instead of the above mentioned measures, the Federal Government in particular prefers to provide rewards for ceasing farm production in order to eliminate the problem of surpluses. However, the Institute fears that production cuts consequent on ceasing production may be too small, and that—moreover—output on the remaining acreage will be considerably intensified. Ultimately, therefore, the market would be relieved to only an insignificant extent, and the relief bought too dear. The Commission estimates that subsidies for the removal of acreage from cultivation might get rid of roughly 1 billion hectares now in production in the EC area. It is to be assumed that removal would mainly affect low yielding land. Moreover, output on the remaining acreage would be intensified as a consequence of rising prices for rented farm land, because lessors would gear their rent demands to the much higher bonuses for ceasing production. Farms in the FRG operate on the average with some 30 percent leased land, and the percentage may be up to 70 in the other EC countries.

The Taxpayers' Federation calls for a reversal of the market regulation policy in the farm sector, among other reasons because much of the money spent on the market regulation policy never gets to the farmers whose incomes are allegedly to be guaranteed. In direct income they receive no more than 30 percent of market regulation spending. In view of the fact that the amount of the subsidy rises along with an increasing output volume, small farms with a small output potential derive the least profit from the scheme. The main beneficiaries are large and efficient farm enterprises that hardly need support. The present market regulation policy therefore results in questionable distributory effects, and the very unequal income distribution in agriculture is reinforced.

It would be necessary to gradually reduce price and sales guarantees in order to facilitate a price structure responsive to actual supply and demand. The present planned policy would be replaced by one oriented primarily to market economic principles.

Direct Income Subsidies for Small Farmers

Direct income subsidies for small farmers could replace the present price and market regulation policy. In view of the considerable social differences in EC farming, such subsidies ought to be organized at the national level.

Cuts would be feasible also in other EC spending sectors, for example with respect to regional and research promotion. EC administrative policy also should be restrained. In this context the Brauer Institute recalls that an EC official in his capacity as general director

earns a monthly gross salary of DM24,205, DM10,620 more than his German counterpart with the rank of ministerial division chief. An EC department head receives a monthly salary of DM20,112, his German colleague (ministerial section chief) only DM9,839. As a rule, EC officials earn twice the salary of their German counterparts.

The Taxpayers' Federation pleads that no further tax increases should even be considered to finance the EC. If the EC spending explosion were finally to be stopped, the Federal Government could drop the increase in consumption taxes planned with the justification that it was needed for the sake of the European policy. Dropping the increase in consumption taxes is also called for, because taxpayers would otherwise have to bear substantial additional burdens. According to the information now available, consumption taxes are to be raised by DM6 billion. Such an increase would wipe out 30 percent of the net relief volume promised as the result of the 1990 tax cut.

The Increase in Consumption Taxes Should Be Dropped

Any increase in special consumption taxes is inopportune also because it contradicts the principle of equity in the matter of taxation. This is due to the fact that the burden on the taxpayer with regard to these taxes depends on his habits as a consumer rather than on his capacity to pay taxes—in other words his income. The burden represented by special consumption taxes on recipients of the same kind of income varies sharply with the type of spending. This infringement of the capability principle is exacerbated by any rise in consumption taxes.

Nor is it advisable to increase borrowing in order to finance the EC. Such a credit expansion is just as avoidable for the FRG as are tax increases. Moreover, despite the progress toward consolidation, public borrowing—especially by the Federal Government—still tends to be unduly great.

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Siemens To Spend DM6.5 Billion on R&D in 1987/88

36200063a Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 3 Feb 88 p 15

[Text] The board of the major electrical engineering corporation is well aware that the proposed cut from DM12 to DM11 in the dividend for each DM50 share is "an unpopular measure." However, according to financial chief Heribald Naeger, it considers itself unjustly pilloried. Karlheinz Kaske, chairman of the board, points out that only two of the major international electrical engineering firms pay a higher dividend than Siemens.

It is not certain in how far the disputed reduction in the dividend has influenced the strong decline in Siemens stock on the stock exchange. In fact the market value of the corporation is now barely greater than its published capital and reserves. It does not even correspond to the entirely unchanged and satisfactory net liquidity of roughly DM20 billion. The obvious conclusion: The stock offers the potential of a rise.

The cut in the dividend is due to the smaller profits achieved in the 1986/1987 financial year (30 September), though turnover rose by 9 percent to DM51.4 billion. Including subsidiaries abroad, the annual profit was DM1,275 million, 13 percent less than in the previous year, resulting in a decline in the profit/sales ratio from 3.1 percent to 2.5 percent. According to Kaske, the drop would have been 21 percent without the changes in valuation brought about by the completion of the transition to the provisions of the new balance sheet directive. The worldwide result per unit of stock, computed in accordance with the new formula of the financial analysts, accordingly sharply declined from DM38.90 to DM30.60. The cash flow weakened from DM6.3 billion to DM5.5 billion.

Still, Siemens has remained a very profitable corporation. The cash flow was quite sufficient to finance its above average investments (10.3 percent of turnover), though the latter were subject to a "normal" swingback. Furthermore there are additional reasons for putting the evident worsening of the final result in the proper perspective.

This is obvious when we look at the various reasons that led to the loss of earnings. In fact the total may be largely disregarded. From the standpoint of the production partners, the component division is of special importance. This is the only one to show a deficit in the overall corporate result—a deficit evidently much larger than in 1985/86. At that time the loss shown amounted to more than DM200 million. The board's rather cautious remarks about last year's results tend to indicate that the 1986/87 loss is greater by at least DM100 million. These losses are not entirely attributable to the weakness of the demand, lower prices and a decline in the use of capacities in this sector which is "thoroughly shaken up". Another major reason is offered by the immense preparatory efforts. In the last financial year, Siemens spent roughly 1 billion on microelectronic R&D alone. The large sums and investments allocated to the 1-megabit chip especially are not yet offset by any sales. In some respect, therefore, Kaske quite justifiably prefers to use the term "expenditure not repaid" rather than speak of losses. These are bound to shrink sooner or later. Actually this process has already begun with regard to the 1-megabit storage. After some delays in the start-up, large-scale manufacture is now turning out more than 100,000 per month and will presumably achieve 2 million units in 1987/88. This will most likely lift the receipt of orders in the current year from DM2.7 billion to DM3 billion.

Total spending on R&D was raised in the year under review from DM5.4 billion to DM6.2 billion, and it is proposed to spend DM6.5 billion in 1987/88. Additional money has been pumped into shaping the future—far in excess of the extent of the decline in profits, and this does not even take account of increased write-offs in consequence of the investment boom of past years or the approximately DM800 million annually allocated to initial and advanced training.

The situation is similar when considered from the geographical aspect. The net profit recorded by all foreign operating subsidiaries shows a definitely larger loss on Siemens' largest overseas market—the United States. In the year under review this amounted to DM449 million compared with DM100 million in 1985/86. This loss is quite typical for an expansionary phase with its special costs and preparatory work (the reorganization of loss making acquisitions, closing down of factories, concentration of production, and so on). Kaske does not expect U.S. results to return to normal until "cruising height" has been achieved there. In the current year, the take-off is expected to follow up the latest 19 percent growth by improving turnover from \$2.6 billion to almost \$3 billion. Siemens had 27,000 employees in the United States at the end of 1987 (worldwide total 358,000).

The establishment of substantial production capacities in America softens the effects of the dollar's collapse which, in 1986/87, was one of the totally adverse contributions to the decline in profits. In this context the accounting loss of turnover in the amount of 2 billion is probably less significant than the greater severity of competition triggered by the lower dollar on many markets.

Kaske ascribes to the lower dollar a similar effect on profits as to the cyclical cooling that determines the present situation beyond 1986/87 and is likely to continue in the foreseeable future. The outlook is grayed by some clouds, including a decline in capacity use from 84 percent to 80 percent in 1986/87, the likely further reduction of personnel at home (expected largely within the framework of labor turnover and amounting to a loss of 2,000 in 1986/87), and probably 5,200 workers on short time in February. However, according to Kaske, any pessimism would be out of place. Siemens intends to raise the 1987/88 inflow of orders from DM50.4 billion to DM52-53 billion, the latest turnover figure of DM51.4 billion is expected to grow in the "normal course" of business by 6-7 percent and also to be increased by the settlement of invoices by two nuclear power plants (only one in 1986/87) in the amount of DM3-4 additional billion. The target of a DM60 billion turnover therefore is kept firmly in sight.

According to board chairman Karlheinz Kaske, the newly established Kraftwerk Union (KWU) division is "appropriately" contributing to Siemens profits. The 1987/88 turnover is probably going to be catapulted by almost 80 percent to more than DM13 billion as the

result of the settlement of accounts by two nuclear power plants. Next year, the now expanded spheres of operation outside the nuclear power plant division are intended to account for more than half the turnover. At the same time Kaske offers more opportunities to nuclear energy worldwide. KWU shares in the investment costs for the reprocessing plant in Wackersdorf to the tune of DM2.1 billion (total costs DM5.8 billion). Despite the latest verdict of the administrative court, Kaske does not consider this project to be in danger.

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FRANCE

1988 Industrial Outlook Examined by Sectors
35190027b Paris LIBERATION in French
8 Jan 88 pp 13-14

[Article by Antoine Bigo, Nathalie Dubois, and Francois Vey]

[Text] After a generally good year in 1987—indeed a very good one in terms of results—almost all companies are anticipating a promising first half of 1988, but a more difficult second half. Herewith the outlook by seven sectors.

How will the 1988 vintage be for the business firms? The plunge of the dollar (down to Fr5.50), the October stock market crash, and the coming presidential elections, are some of the ingredients of a cocktail which doesn't look too bad.

Steelmaking

For Usinor-Sacilor, the prospect of a very low dollar rate (around Fr5.00) is disquieting, essentially in the medium term, in that it is an exacerbating factor for the competitiveness of its steel exports to the newly industrialized countries of Asia and Latin America. Since the CEO of the Group, Francis Mer, prefers to "sell a ton at a profit" rather than seek revenue whatever its cost, this could mean a contraction of sales. But in the near term, Usinor is not worried about its "dollar balance." What the steelmaking Group gains on its purchases of raw materials (priced in dollars) roughly offsets its losses on steel sales in dollars. On the other hand, the stock market crash is likely to have an adverse effect on the steel industry if the downstream markets (automobiles, BTP [buildings and public works]) undergo a slump.

Aeronautics

For Aerospatiale, the French partner with a 37-percent stake in the European Airbus Industrie GIE [Economic Interest Group], the drop in the rate of the dollar has a snowballing effect, the most immediate of which stems from the under-evaluation of the greenback, which Henri Martre, CEO of the company, estimates at 25 percent. Unfortunately, the dollar is the reference currency for all

aeronautics transactions. A 25-percent drop in its value truncates the company's revenue by that same percentage, while costs in francs remain unchanged. This shrinking of the company's profit margin is accompanied, moreover, by a drop in its competitiveness in the market for civil aviation planes, and its principal prospective clients all turn towards the United States. For Boeing and McDonnell Douglas, the drop in the rate of the dollar is in effect the equivalent of a subsidy that provides a shot in the arm to their exports. To defend itself, Aerospatiale, like most businesses, resorts to exchange rate hedging and, over the longer term, "Aerospatiale has not ruled out subcontracting certain elements of its production to countries in the dollar zone, such as Canada," says the company's CEO.

In 1987, the company expects to have "about broken even, but still rather on the negative side," versus a profit of Fr227 million in 1986. Its 1987 revenues are expected to total Fr25 billion, versus Fr25.41 billion in 1986. Potentially, a drop of 10 centimes in the value of the dollar can in effect mean a drop of Fr100 million in revenue. Nevertheless, Henri Martre projects "a cautious optimism," mainly because of the very strong current demand for civil aviation planes. With the building of the A-330 and A-340 now decided on, Henri Martre is hopeful that by the time of their actual delivery the dollar will have recovered its true value, which he considers to be between Fr6.00 and Fr6.20. Thus, although the drop in the dollar rate is temporarily hurting Aerospatiale, the company, with its Fr29 billion in orders received in 1987, is not really apprehensive of the future.

Automobiles

The two big French manufacturers, Renault and PSA [Peugeot-Citroen], concur in the view that the coming year does not look very good; but be that as it may, they are not particularly pessimistic about their respective sales scores. The market, which experienced an exceptional boom last year (with a much higher level of purchases of new cars than the absolute record level of 1982), is expected to go into a deep slump. The Stock Exchange Committee expects 100,000 less cars to be sold in 1988, which would shrink the market to around 2 million new-car registrations. Beyond the Hexagon, the outlook is frankly grim. Renault is predicting a shrinkage of between 4 and 5 percent in the European market.

The company's new commercial manager, Paul Percie du Sert, says he is "very worried about the effect of the dollar rate drop on consumption." But he believes the effects of the absence "of a far-reaching monetary agreement" will probably not make themselves felt until 1989. He is fearful also of the "cumulative effect" of the very strong downtrend of the dollar (according to him, a number of operators are drawn towards a dollar at 100 yen, while the dollar is currently flirting with 125 yen), combined with the stock market crash, the coming electoral events, and all the "induced psychological

effects." As regards Renault sales in the United States, the nationalized Group expects to sell 80,000 units in 1988 (after 45,000 in 1987, but versus around 200,000 in 1983)—provided the dollar does not drop to Fr5.00, inasmuch as this "would void of any sense the exporting of the Medaillon (the R-21 being exported to the United States) to be paid for in dollars."

As for PSA, Jacques Calvet points out that the drop in the dollar rate is having very little impact on his Group's purchasing policy: "We buy between 92 and 94 percent of our supply needs in Europe," he says. On the other hand, the dollar is of course a factor in Peugeot's sales in Nigeria and the United States; but since they are relatively marginal, they will "have very little effect on our accounts."

Capital Equipment

The drop in the exchange rate of the American dollar will not have much of a negative effect "from this year onward," says Jacques-Henri David, general manager of Saint-Gobain (glass, tubing, insulation.). "All the favorable mechanical effects" of the dollar rate drop on our operating costs (for procurement of energy and raw materials) "are more than offset by the negative effects" on our financial returns earned in North and South America, which when converted to francs inevitably diminish," he says.

In terms of activity, the first part of 1988 is "relatively assured" by the momentum of the promising 1987 year-end situation in Saint-Gobain's markets: packaging, automobiles, and BTP. Thereafter, things are likely to become more difficult.

Jacques-Henri David thinks that competition "will begin to get much stiffer around mid-1988," coming from the United States, Canada, and especially the Latin American countries. Again, everything will depend on the American market. However, the heavy and voluminous products that Saint-Gobain manufactures do not travel well. The EEC industrialists' playing field will therefore continue to be the European market.

Saint-Gobain had largely anticipated a slowing of its sales growth this year. It built its 1988 budgets on scenarios based on two dollar rates: One, at Fr5.80 (optimistic hypothesis); the other, at around Fr5.20 (realistic hypothesis).

For Bull, the French information processing sector giant, the drop in the dollar rate is a "worrisome phenomenon": First of all—explains Jean-Claude Buono, its head of finance—because American computer manufacturers are currently displaying "considerable aggressiveness in regard to prices," now that the dollar is worth less. When the dollar is worth Fr5, it "gives American firms in the information processing market a sizable advantage." In addition, the stock market crash has introduced an element of caution into Bull's operating initiatives in

1988. Generally speaking, a certain wait-and-see tendency is perceptible on the part of clients of the major information processing groups, and this tendency is likely to be reinforced by the approach of the elections.

Consumer Goods

Purchases of television sets, video tape recorders, and other laser systems are likely to be much less in 1988 than in the two preceding years, which were particularly good years. The current year looms average, with a rather good first half and a "considerably depressed" second half. But the drop in the dollar rate will have virtually no effect on the business of the sector professionals, who are members of SIMAVELEC [Association of Electronic Equipment Industries]. They do an extremely small amount of business with the United States. The "Made in USA" consumer electronic products sold in France are essentially hi-fi equipment and enclosures, which will thus benefit from a helping push. But the real pressure being put on the French manufacturers comes from Southeast Asia. And there, the variations in the exchange rate exert a very marginal impact, if any, on their considerably lower manufacturing costs. After revaluation of the yen, SIMAVELEC anticipates an "increased generalization of assembly of Japanese equipment in Europe," but this should not radically change the opportunities in the Hexagon that are open to French industrialists.

The agricultural food products industry appears to be more optimistic. Perrier, the most active of the French groups in this sector, finds that the drop in the dollar rate has initially had a positive effect, having brought into range for it the acquisition of American firms, as demonstrated by its acquisition of the Beatrix Foods Group's Waters Division in 1987. "We are now number one in the American carbonated and uncarbonated waters market, and two and one-half times larger in size than our nearest competitor," says Frederic Zimmer, manager of exports. Despite three increases in the price of a bottle of Perrier over the past 12 months, its sales in the United States grew by around 10 percent in 1987. "In the United States, we can still double our revenue and our profits, since the main body of our enginery produces and sells in dollars," says Frederic Zimmer.

Luxuries Industry

"In the United States we intend to make the most of our trademark from the snob-appeal angle," says Henri de La Genest, manager of Christofle, without a trace of inhibition. This firm specializing in silvercraft and "arts of the table" derives 50 percent of its revenue from exports, 35 percent of which are to the dollar zone (United States, Canada, but also the Middle East, Hong Kong and Singapore). On the American continent, Christofle is on the high road to success, as evidenced by its opening of a new store in Beverly Hills. Given the level of vogue-consciousness

on the part of wealthy American hostesses, the firm can afford to offset the rise in the rate of the franc to the dollar by raising its prices on the other side of the Atlantic. "For Americans, the price of the Christofle fork rose 20 percent in 1987, and is likely to undergo another 20-percent rise in 1988," says Henri de La Genest. Despite this price rise, the revenue of the firm's American distribution subsidiary increased by 35 percent last year, and could increase by a further 20 to 25 percent this year, according to current projections. Alain Chevalier, the CEO of the new Louis Vuitton/Moet Hennessy affiliation (champagne, cognac, Christian Dior perfumes, fine leather goods), deems that the major risk has always been more the United States' protectionist threat than the drop in the dollar exchange rate. The group also has the advantage of a very balanced "currency basket," with the proportion of its sales billed in dollars (28 percent of the total) equaling that of its sales in the three strong currencies, which are the yen, the Deutschmark and the pound sterling. And in 1988, the dollar share of its billings is expected to drop below 25 percent, and that of the yen and the Deutschmark to increase, according to Agnes Rebattet, spokeswoman of the group. As regards the strategic choice posed by the American market (maintain margins or sacrifice them to retain market shares), LVMH has chosen the second option. "No rise in the prices of wines and spirits is contemplated. Once installed in a market, one must remain there, whatever the cost." Like Moet Hennessy, many French firms will think long and hard before quitting a market like the United States.

Tourism

In 1986, the wave of terrorist acts in Paris and the start of the dollar's downhill slide reduced the number of American visitors in France from 3 million to 2 million. In 1987, the national association of travel agents reported a slight recovery in American tourism, with 2.2 million citizens arriving from the United States. Although still hopeful, the travel agents and hotel operators are apprehensive that a further drop in the dollar will nip this mild resurgence in the bud—and all the more so in that the fall of the American dollar is also adversely affecting the pocketbooks of the Australians and the Latin Americans, whose currencies follow the movement of the greenback. Inversely, the number of French citizens wanting to vacation in the United States is expected to increase steadily.

Nouvelles Frontieres, for example, booked 40,000 clients to the United States last year, versus 32,000 in 1986. The drop in the dollar rate, however, has one drawback for NF, "which is that travel agencies must set their prices 6 months in advance. It's like reading tea leaves," sighs Mikel Landaburu, its commercial manager. In its spring 1988 brochure, which is due out in 8 days, Nouvelles Frontieres has used Fr5.80 as a basis. "If at

billing time the rate gap is very considerable," says Landaburu, "we will be compelled to lower or raise our prices accordingly," which in either case will cost NF time and money.

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NETHERLANDS

Natural Gas Exports, Revenue, Contribution to Budget

36140009 Rotterdam NRC HANDELSBLAD
(Supplement) in Dutch 13 Jan 88 p 3

[Article by Ben Greif: "An Incalculable Mineral Wealth—New Disappointment Expected Because of Low Dollar and Oil Prices"]

[Text] The dollar and oil price yoyo turns any estimate of the state's natural gas profits into a precarious enterprise. Another billion guilder disappointment has been baked into the 1988 prognoses. Natural gas, from provider of wealth to horror for the minister of finance.

Natural gas, which has warmed the Netherlands in recent years, has lost much of its attractiveness. Like many OPEC countries, the Netherlands is experiencing a painful adjustment process. Breaking the addiction because the gas, which for years made it possible to finance all kinds of nice things for the people, is no longer the inexhaustible milk-cow many people considered it to be.

Our country is still the only one in continental Western Europe to have substantial amounts of natural gas at its disposal. The Slochteren bubble is still far from empty (even though the pressure in the field is gradually beginning to fall). And both on the continent and in the North Sea, new gas fields are still continuously being tapped. Natural gas is a clean and easily manageable fuel. Possession of this mineral wealth has provided unimaginable prosperity to the Netherlands over the last 20 years.

The gas made the Netherlands much less dependent on imported energy, the balance of payments flourished, partly thanks to the gas exports, and large segments of industry, as well as horticulture, blossomed thanks to the gas. Alas, it was discovered too late that the Netherlands was still using too much of the gas proceeds to increase collective expenditures and too little to strengthen the economic structure. Nevertheless, many countries probably envied us for the cause of this "Dutch disease."

As for our own domestic consumption, the Dutch consumer does not need to be concerned yet: for the time being he benefits from a substantially reduced price and according to current estimates there is enough gas left in the soil of the fatherland to last at least another 40 years. In addition, it will be possible to continue natural gas exports at the relatively stable level of about 25 billion cubic meters per year until the year 2005.

Uncertainty

Hence, the sale of natural gas within the country and abroad will continue to bring money into the till of both the oil companies and the government for years to come. But nobody can predict the monetary value of the Dutch natural gas in the years to come. The dollar and oil price yoyo makes any forecast of natural gas revenues over the somewhat longer term a precarious business. Every dollar increase or drop in the price of a barrel of oil (to which natural gas prices are tied) produces an immediate half billion guilder difference in the national budget of the Netherlands. And when the value of the dollar drops by 10 cents, then that also costs the state half a billion guilders. See where that gets you as minister of finance. The risks involved in wrong estimates, and good and bad luck, must be a horror for the custodian of the treasury, especially when misfortunes have the upper hand, as has been the case recently.

Because the degree of Dutch dependence on natural gas became obvious in recent years when gas profits, after they peaked in 1985, started to drop drastically and the only solution was strong economy measures. Three years ago the treasury received as much as 23 billion guilders from natural gas (that is 16 percent of all government revenues and more than 6 percent of the national income). This year, natural gas will cause no more than an 8.6 billion flow into the state's purse, hence a little more than one-third of the 1985 gas profits and little more than 2 percent of the national income.

The multi-year estimates included in the 1988 Budget Memorandum for the coming years are once again based on a slight increase in natural gas profits (8.9 billion guilders in 1989, 10.1 billion in 1990, 11 billion in 1991 to 11.2 billion in 1992). In addition, the Ministries of Economic Affairs and of Finance and the Central Planning Bureau are assuming a development in the price of oil from \$19 per barrel in 1988 to about \$23 in 1990. At the same time, the assumption is made that the value of the dollar will remain constant at 2 guilders. In September, Minister Ruding himself outlined the risks surrounding these estimates. At that time he already raised the possibility that an oil price of \$23 by 1990 may not be achievable. The development of oil prices and especially of the dollar have proven Ruding right. With a dollar which dropped to a little below 1.80 guilders and which, in the opinion of numerous economists, is in the process of dropping to 1.50 guilders and oil prices which, according to some energy experts, could easily go down to \$15, the estimated 8.6 billion guilders in natural gas profits for 1988 are becoming rather dubious. Consequently, a loss of a few billion guilders is baked into the 1988 prognosis. Based on the value of the dollar and of oil prices of the moment a new loss of a minimum of 1 billion guilders can be expected for this year. On the other hand, gas revenues for the coming years could just as easily produce billions of guilders in profits.

The impossibility of predicting the value of the dollar and oil prices a year ahead of time (let alone longer) produces ever increasing problems for the government in preparing its budget. The Hague simply no longer knows how to deal with natural gas profits in its budgetary policy. Hence, in September of last year Minister DeKorte (Economic Affairs) already submitted the problem in a request for advice to the Socio-Economic Council [SER]. An SER task force, led by crown member Professor Wolfson, is still working on it. The results will be included in SER's medium term advice to be published this spring.

The fact that the government's gas profits could not remain at the high level of 1988 could have been predicted years ago. As a matter of fact, it was a foregone conclusion that the volume of gas exports would decline. In 1977, the Netherlands still exported 50 billion cubic meters. Last year this had dropped to only 30 billion meters. And for the coming years exports will become stabilized at between 25 and 28 billion. Within the country, the Gasunie is counting on fairly constant sales of 42 to 43 billion cubic meters. Hence, it is pretty sure that the total volume of gas sales can be estimated at an average of 70 billion cubic meters per year. A firm figure then for the government until approximately the year 2005. But this relative certainty about sales does not in the least provide any indication about expected revenues.

During the past year the effect of the falling dollar has been somewhat compensated by incidentally higher gas sales due to the severe cold in the spring of 1987. Instead of the expected 68 billion, the Gasunie sold as much as 6 billion cubic meters more. But according to the Gasunie, such a piece of good luck will clearly not occur more than once. It is true that foreign buyers have a certain degree of flexibility in their contracts, but 1987 was really a boom, said a spokesman in Groningen. But in spite of this strong windfall, the state raked in only a little more than the estimated 10.5 billion guilders in natural gas income. This once again demonstrates the sensitivity of natural gas profits to (in this case) developments in the value of the dollar.

Why does the Netherlands not conduct a more aggressive sales policy for natural gas? After all, the Ministry of Economic Affairs could (via the state's share in Gasunie) promote stimulation of both domestic sales (for example, more gas to generate electricity instead of nuclear and coal fired power stations) and exports, could it not? The Gasunie's unwavering response to these suggestions is that there will be absolutely no room for extra sales in the current West European gas market, characterized by oversupplies, until the year 2000.

A.H.P. Grotens, director of Gasunie, has no inclination at all to come to the aid of the government by selling extra gas. He has said more than once that "it is not my job to close the treasury deficit." Everyone in the Netherlands already has enough gas, and extra gas exports can

occur only if the Netherlands were to offer its gas very cheaply. But according to Grotens, there would still be the question of whether on balance you would get higher gas revenues for the state: "What you gain on the one hand, you give away with the other hand." But quite apart from this, the Gasunie notes that for the time being it has absolutely no mandate from the government and parliament to sell the gas at an accelerated rate. This does not fit into the Dutch energy policy which strives for the broadest possible diversification of fuels. Furthermore, the administration and the Second Chamber both find natural gas to be too clean and too high-grade a fuel to burn it up quickly in industry or in electrical power stations.

Nuclear Power Stations

The environmental movement, among others, has been pleading for greater use of gas, for example to generate current instead of using new nuclear and coal powered power stations. The Rotterdam energy expert, Professor Peter Odell, also feels—albeit for economic reasons—that the government should be much more aggressive about gas sales. As far as Odell is concerned, gas sales could be pushed up again to more than 100 billion cubic meters per year. He feels that this is especially justified because of the very low production costs of the Groningen natural gas. Furthermore, according to Odell the Groningen gas bubble is a "unique phenomenon" because, after more than 20 years production, its estimated volume is still growing. The energy professor at the Erasmus University is a firm believer in the hypothesis that the Groningen gas reservoir is constantly replenishing itself.

But Odell's theory is definitely not shared by everyone. As a matter of fact, the Gasunie and the exploiter of the Slochteren field, the NAM, have specifically stressed that many hundreds of millions of guilders will have to be invested over the next few years in order to maintain the level of the steadily declining gas pressure in the field through compression and cooling. The Groningen field, whose function is that of a buffer in the gas policy, is saved as much as possible. But even after the artful interventions in Slochteren, the Gasunie expects that a few years from now it may encounter capacity problems during peak consumption periods on very cold winter days.

In order to avoid not being able to meet the demand for natural gas on such days and having to leave some clients in the cold, it wants to have one or more possibilities for underground storage at its disposal at the very latest by 1995. The plan is to use salt domes especially opened up for this. However, sample drillings necessary for this, among others in the Groningen Onstwedde, have encountered strong protests from environmental groups. They are afraid that the underground storage areas will be misused for dumping nuclear waste. Gasunie would

prefer underground storage in the Netherlands, but in case of too much delay it will, if necessary, move to Germany where such storage facilities are already in use.

8463

SPAIN

Angola, Mozambique Receive Lion's Share of Foreign Aid

35480064 Madrid ABC in Spanish 2 Feb 88 p 15

[Text] Arusha (Tanzania)—The Marxist dictatorships of Mozambique and Angola have been considerably prioritized in the international cooperation budget devised by the government this year. EFE [Press Association] reports that these two totalitarian regimes will absorb 500 million of the 1.3 billion allocated for "international technical cooperation."

The state secretary for cooperation, Luis Yanez, declared in Arusha (Tanzania) that the government has a desire to heighten its presence in black Africa. Yanez headed the Spanish delegation visiting Arusha to participate in the annual meeting of countries cooperating with the Southern African Development Cooperation Conference (SADCC), a pan-African organization comprised of nine nations which aspire to "reduce the dependence on South Africa."

Gonzalez' trip to Angola (the first one that the head of the Spanish Government will have made to Africa since he arrived at Moncloa in 1982) is intended to show that Spain is willing to "develop new initiatives in Africa," in keeping with its recent status as an EEC member, according to sources from the Spanish delegation in Tanzania who were queried by the EFE agency.

Despite the fact that it is the fifth-ranking contributor of the FED (European Development Fund) credits, decided upon by EEC (with nearly 60 billion pesetas), the destination of which is, for the most part, the African continent, Spain still has a very slight presence in sub-Saharan Africa, apart from the traditional bilateral cooperation with Equatorial Guinea, dissociated from the Community initiatives.

As EFE reported, the budget to aid African countries for 1988 does not amount to 600 million pesetas, whereas the contributions from other Community nations, such as Great Britain, the Federal Republic of Germany, France, Belgium, or Italy, as well as Canada and the Scandinavian countries, number in the tens of millions of dollars.

In the opinion of Antonio de Qyazabal, general director of international technical cooperation, the lack of an "African tradition" in Spanish foreign policy, the ignorance of the mechanisms for cooperation decided by EEC after the signing of the Lome Convention, and the reluctance still prevailing among Spanish businessmen,

when it is time to compete with their European counterparts on African territory, explain the still meager Spanish presence on the black continent.

Nevertheless, Luis Yanez admits that Spain cannot occupy a more prominent position (and recover part of its contribution to the Community credits) until there is an increase in the funds allocated to aid the developing countries.

Spain ranks last among the developed nations in the area of cooperation, to which it devotes only 0.1 percent of its gross domestic product (GDP); whereas the average for the OECD [Organization for Economic Cooperation and Development] countries is 0.35 percent.

As Luis Yanez notes, the State Secretariat of Cooperation is studying the creation of a "training center for African experts" intended to work for a long time on an African perspective. Those responsible for the Spanish cooperation are studying the experience of Cuba, which has a permanent training center for 25,000 African youths on the Isle of Pines, near Havana, for what it might have of interest with regard to the training of thousands of future Spanish-speaking African experts, "despite the ideological differences."

Felipe Gonzalez' planned trip to Angola demonstrates the intention of those responsible for Spain's African policy of giving priority to Southern Africa with respect to external cooperation and initiative for the sub-Saharan area.

Of the 1.3 billion total budget of the General Directorate for International Technical Cooperation, 500 million is intended for the Marxist dictatorships of Angola and Mozambique, where Spain has undertaken projects in the fields of communications, agricultural and livestock development, and occupational training.

According to EFE, it is still a small amount, but the details of "Project Matutuine" have evoked considerable interest among other European countries present at the Arusha conference.

'Selective' Backing for Pro-Soviet Countries

The Socialist government's African policy is directed, for reasons as yet unexplained, toward the single-party regimes situated in the Soviet and Cuban orbit. The opposition intends to request, in the near future, a parliamentary appearance of the state secretary of cooperation, Luis Yanez, to explain these selective affinities.

The opposition cannot understand the reasons prompting the government to appropriate such large sums of money for the Angolan and Mozambican regimes, which are confronting two bloody civil wars. Of course, there are Spanish fishing interests in the two countries, but they do not warrant either the quantity or the quality of the cooperation offered (nearly half the international

cooperation budget for 1988); especially when, in one specific instance (Mozambique), it means interfering directly in the civil conflict on behalf of one of the two sides.

The Angolan and Mozambican regimes are single party dictatorships (with FRELIMO [Mozambique Liberation Front] and MPLA [Popular Movement for the Liberation of Angola]), which are avowedly Marxist-Leninist, with armies led by Soviet or Cuban "technical advisors," and wherein any type of political dissidence is impossible. For these regimes, civilian cooperation is the first step toward aid of a military nature, as has been evident in the case of Mozambique: Spain will train officers and troops of this country in anti-guerrilla war techniques.

In the case of Angola, as sources from the anticommunist guerrillas fighting the MPLA Marxist regime have

reported, Spanish firms have sold weapons and equipment to the Angolan regular army directly, or through Portuguese companies. UNITA [National Union for the Total Independence of Angola] recently warned that it would deal very harshly with the cooperants from countries lending military aid.

A high-ranking diplomatic official who was previously responsible for African policy in Spain recently told this newspaper: "Let's hope that, in Angola and Mozambique, there is not a repetition of such disgraceful spectacles as those instigated by the Spanish governments years ago, when the Polisario Front kidnapped Spanish fishermen on the Sahara coasts."

2909

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